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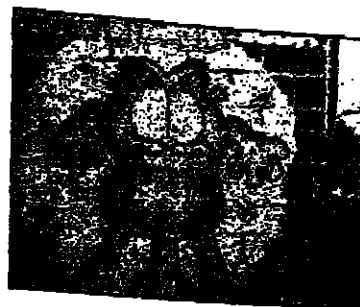
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Last-ditch efforts to avert school strike

By AMY KLEIN

Education Minister Yitzhak Levy and Treasury officials met late into last night with leaders of the teachers unions in an effort to persuade them to drop their threat to keep schools from reopening today.

Treasury officials said that teachers are demanding an 8 percent salary increase, while the Finance Ministry will agree only to a 5% increase, including cost-of-living increments, which would be a real hike of 1.5%.

Avraham Ben-Shabbat, chairman of the Teachers Union, accused the Treasury of "abusing the children of Israel. They want to put pressure on us so that we will surrender."

"What we've offered the teachers is fair and we cannot give in to their demands," Treasury wage director Yossi Kucik said. He added that teachers' real wages increased 27% in 1993-1997.

Prime Minister Benjamin Netanyahu made an unsuccessful effort to mediate the dispute in a meeting with Levy yesterday evening.

The National Parents

Association, meanwhile, said they would keep pupils home today in Netanya, Beersheba, Rehovot, and Daliat al-Carmel, because of incomplete safety requirements.

Finance Minister Yaacov Neeman, earlier in the evening, said the teachers demands were "exaggerated."

Kucik met with Ben-Shabbat and Secondary School Teachers Association head Ran Erez, who negotiated jointly for the first time.

The meetings began in the morning at the Knesset, continued at the Finance Ministry, and finished at the Education Ministry.

"Pay us a fair and equitable salary, don't pay us like kids working at summer camps," said Ben-Shabbat yesterday afternoon. "We want to open the schools, but not at any price."

Secondary school teachers also demanded payment for extracurricular activities, such as school trips, and extra increments to be included in pension payments, and said this would cost of NIS 86 million.

See SCHOOL, Page 2



Guy (right) and Lior show off their new school bags on Jerusalem's Rehov Ben-Yehuda yesterday, as they prepare to go back to school today. (Uriel Hecker)

NY stocks drop 6.4%

By News agencies

NEW YORK - The Dow Jones industrial index suffered their second-biggest point loss ever yesterday, amid news of a parliamentary showdown in Russia and North Korea's apparent firing of a missile over part of Japan.

The Dow blue-chip industrial index lost 512.61 points - or 6.4 percent - to close at 7,539.07, wiping out all of its gains for the year and closing nearly 20% below its all-time closing high of 9,337.97 from last July 17. The Dow ended 1997 at 7,908.25.

Israeli stock prices dropped an average of 8.5%, among them Koor falling nearly 5%, Tadiran 4% and Checkpoint 10%.

The market took wide and deep hits as investors continued last week's rush to the exit doors, leaving the broad indices sharply lower as well.

"All these indices are getting whacked," said Hildegard Zagorski, market analyst at Prudential Securities.

"We had a brief rally this morning, which everybody sold into, which wasn't a surprise," Zagorski said, and the problems in Russia, Asia and Latin America "just don't seem to be going away any time soon."

Russian and Japanese economic troubles have rolled Wall Street, prompting fears of lower corporate profits and a global economic slowdown.

In other news from the East that troubled Wall Street, North Korea fired a ballistic missile over northeastern Japan that landed in the Pacific Ocean, according to news reports quoting Japan's Defense Agency.

Even large-company, well-known stocks and consumer staples, took big hits, including drugs, consumer goods and retailers.

Technology stocks led the major indices lower, with Compag, America Online and Lucent the top-volume losers on the Big Board.

The bond market benefited from investors' flight to quality, pushing the yield on the 30-year Treasury bond down to 5.26%, the lowest level since the government began selling them in 1977.

The Standard and Poor's 500 fell 68.23 to 958.91.

The Nasdaq composite index dropped 140.53 to 1,499.15.

Declining issues outnumbered advances by more than 7 to 1 on the New York Stock Exchange, with 399 up, 2,887 down and 280 unchanged.

Duma rejects Chernomyrdin

By DAVE CARPENTER

MOSCOW (AP) - Despite doomsday warnings that Russia faces collapse, angry lawmakers yesterday emphatically rejected Boris Yeltsin's candidacy for prime minister, blocking the formation of a government to try to pull the country out of its economic and political tailspin.

The lopsided vote against confirming Viktor Chernomyrdin deepens a dangerous deadlock between the president and the parliament and leaves Russia in chaos as US President Bill Clinton arrives today for an ill-timed summit.

Russia has been without a government since August 23, when Yeltsin fired prime minister Sergei Kiriyenko in the midst of an economic crisis that has crippled the ruble and stocks, threatened to bring down its banking and financial system, and sent an earthquake through world markets.

There was no sign of panic in Moscow and other cities. The ruble rate continued to improve modestly in street trading, although official trading was suspended for a fourth day.

But the atmosphere in the State Duma was unusually bitter as lawmakers assailed Chernomyrdin for Russia's woes. Deputy after deputy gazed angrily as they condemned the acting premier, filling the air with apocalyptic predictions about the country's future. Chernomyrdin spoke condescendingly in response, then fell silent when the ballots were cast.

Yeltsin resubmitted Chernomyrdin's candidacy to the Duma immediately after the vote, calling the lawmakers' bluff and showing his determination to stick with his former premier.

But the 253-94 vote and deputies' vitriolic comments made it doubtful that Chernomyrdin could ever be approved.

Gennady Zyuganov, the Communist leader who glared and spoke menacingly throughout the session, afterward called proposing Chernomyrdin's candidacy again "a slap in the face to the whole nation."

Unless Yeltsin or the Duma backs down, Russia could face parliamentary elections late this year to break the stalemate and form a new government to settle the turmoil.

The president can make three nominations in all, with at least a week's interval required between the votes. But if he is rejected three times, he is required by the constitution to dismiss the Duma and call new elections within three months.

Some Communist leaders said they are not afraid of government threats to dissolve the legislature because they are confident of winning the elections that would follow, a view analysts don't necessarily share.

Over the weekend, it appeared Chernomyrdin would win quick approval after government and opposition leaders reached tentative agreement on a power-sharing pact. But the Communists later said they couldn't trust Yeltsin to keep to the agreement and demanded his resignation.

Before the vote, Chernomyrdin pleaded with lawmakers to approve forming a government to tackle the crisis.

"Russia is on the verge of political and economic collapse," he said. "We can only come out of the crisis by uniting our efforts."

See DUMA, Page 2

Yeltsin's troubles could spark popular uprising

MOSCOW (Reuters) - President Boris Yeltsin's failure to win parliamentary approval for his choice of prime minister yesterday pushed Russia closer to a showdown which could have far-reaching and unpredictable consequences for the country.

The opposition forces in the State Duma lower house which opposed Viktor Chernomyrdin are playing a dangerous game by taking on Yeltsin, even though he has been weakened by Russia's economic and political crisis.

If the Duma rejects Yeltsin's nominee twice more, the president would have to disband the chamber, install the premier of his choice, and call a parliamentary election. That is a scenario fraught with dangers.

The Communists and their supporters are prepared to pro-

ANALYSIS

By TIMOTHY HERITAGE

voke a dismissal of the Duma to get even more seats in parliamentary elections on a tide of general discontent," said Alexander Kotenkov, Yeltsin's representative to the Duma. "If the chaos lasts for another couple of weeks, then there will be neither Communists, nor any of us left... I have in mind a popular uprising."

Whether such a dire prediction would come true is open to debate.

Many analysts doubt it and point out that many such forecasts have proved wrong in recent years, but the risks involved in a stand-off are huge.

A showdown may not materialize. Yeltsin could gamble on the Communists, the dominant force in the Duma, backing down.

That happened in April when, faced with the prospect of losing

their seats and their perks, deputies rebelled against party discipline in a secret vote and grudgingly supported youthful Sergei Kiriyenko at the third attempt.

Yeltsin's experiment with the young reformer failed and he turned to Chernomyrdin again after his veteran ally spent only five months out of government.

The Communists and two allied left-wing parties, which can combine forces to muster 212 votes in the 450-seat chamber, even without the backing of independent deputies, might again back down if they win concessions from the Kremlin.

At the weekend, they pulled out of an accord at the last moment that would have forced Yeltsin to give up some of his vast powers, making the Duma's support vital for most government appointments and forcing him to agree not to dissolve the chamber until it served out its term at the end of 1999.

See YELTSIN, Page 2

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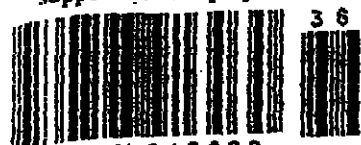
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NEWS

in brief

Motorcyclist killed in Abu Ghosh

Jaber Issa, 20, of Abu Ghosh was killed last night when he was thrown from his motorcycle while trying to pass a truck that was simultaneously trying to pass another vehicle. Police said that Issa, who wasn't wearing a helmet, landed on a stone barrier and died instantly. Police were still investigating whether the motorcycle had crashed into the truck before Issa went flying off it. *Itim*

PLC members urge Rajoub be suspended

A majority of Palestinian Legislative Council members yesterday urged that West Bank Preventive Security chief Jibril Rajoub be suspended pending an inquiry into charges his men assaulted PLC members outside the home of Hamas fugitive Imad Awadallah in El Bireh.

The inquiry is to be headed by West Bank Security Chief Brig.-Gen. Haj Ismail Jaber. Fatah leader in Hebron Abbas Zaki suggested the recent events regarding Rajoub were part of his preparations to take control when Palestinian Authority Chairman Yasser Arafat retires. *Margot Dudkevitch and Mohammed Najib*

Federman released and rearrested

Right-wing activist Noam Federman, who was arrested last week for inciting against Defense Minister Yitzhak Mordechai, was released to house arrest yesterday by Jerusalem District Court. He and Itamar Ben-Gvir were arrested for allegedly calling Mordechai a murderer during a demonstration in front of Mordechai's home in Motza.

In the afternoon, however, police brought both of the men back in to question them again about their actions at the demonstration. *Itim*

Netanyahu adviser meets with Azzam Azzam

Assad Assad, the prime minister's adviser on Druse affairs, met in Cairo yesterday with Azzam Azzam, the Israeli imprisoned in Egypt for espionage. The visit came exactly a year after Azzam, 35, was sentenced to 15 years hard labor.

After their meeting, which lasted nearly two hours, Assad quoted Azzam as saying that his treatment was reasonable and that his health problems are being addressed. Assad said that when Azzam asked when he would be released, all he could reply was that Israel is making great efforts to secure his freedom. Azzam was arrested in November 1996.

Ayelet Yehiav, spokeswoman for the Israeli Embassy in Cairo, said Azzam "is in rather good shape. Not perfect, but rather good." Azzam has complained of heart pains, but was allowed to see a doctor "so it seems like he is being treated," Yehiav said. *Herb Keiron and news agencies*

Bazak testifies in Strashnov Affair

Shai Bazak, former spokesman for the prime minister, testified yesterday as part of the police investigation into suspicions of a disruption of procedures in the trial of Nuhum Manbar.

Senior police officials said that Bazak's testimony was shorter than that of other people summoned and added that the testimony requires certain clarifications.

It is estimated that the police will give their recommendations to State Attorney Edna Arbel regarding possible indictments by the end of next week. *Itim*

Bodies of 9 rabbis from Morocco reburied in Yavne

Thousands attend the reburial last night in Yavne of the remains of nine rabbis brought from Morocco.

In a speech, MK Meir Sheerit (Likud) praised the Moroccan government for assisting in the process of transferring the remains to Israel. *Itim*

Monument unveiled to honor Holocaust victims

A black granite monument commemorating 599 Jews murdered by the Nazis in 1942 and 1943 was unveiled yesterday near Piotrkow Trybunalski.

More than 100 survivors and descendants of Jews from the town came from Israel, Canada, the US, and Great Britain to take part in the ceremony in the Rakowski forest, 140 kilometers south of Warsaw.

An inscription on the 1.5-meter monument calls for "eternal memory" of the "560 innocent Jews murdered here by the Nazis on December 20, 1942" and of the "39 innocent Jewish children murdered here by the Nazis in July 1943." It is written in Polish, Hebrew, Yiddish, and English. *AP*

YELTSIN

Continued from Page 1

That was a bad signal for the Kremlin. The Communists said they needed firmer guarantees that Yeltsin would stick to the terms of the deal, but some analysts believe they want to risk a new election in which they now believe they could make gains.

The situation is more risky now than when Kiriyenko was struggling for approval. The economic crisis has deepened. Yeltsin seems less in control than ever, and his aides and influential businessmen are widely reported to have been trying to persuade him to give up some of his powers even if he stays in office. Some fear unrest over unpaid wages could soon become a serious threat.

Kremlin sources say Yeltsin

would renominate Chernomyrdin for a second vote but — unlike when Kiriyenko was rejected twice — might now be prepared to consider another candidate for a third vote.

Chernomyrdin himself might not be ready to swallow his pride and could withdraw his candidacy after being rejected, although he said after the vote he would push on with forming a cabinet.

The Duma's Communist speaker, Gennady Seleznyov, called for more consultations with the Kremlin. The Duma could demand a compromise candidate such as upper house Speaker Yegor Stroyev or Moscow Mayor Yuri Luzhkov.

Whether the Kremlin would submit under pressure by making big concessions to appease the Duma depends on Yeltsin, a man who has been described by a former aide as regarding power as his "mistress" and is by nature unpredictable.

SCHOOL

Continued from Page 1

The Treasury put the cost at NIS 120 million, and Kucik said it would not pay teachers NIS 720 per overnight trip and NIS 320 for day trips.

Erez threatened that there

would be no extracurricular activities this year and said similar sanctions last year cost the economy NIS 480 million.

Shai Lachman, chairman of the National Parent's Association, said that if the schools are opened today without the extracurricular activities approved, they will call their

By MICHAEL YUDELMAN and Itim

President Ezer Weizman, after meeting with Labor Party leader Ehud Barak yesterday, reiterated his call for early elections.

Weizman had asked for the meeting in advance of the Knesset Law Committee's discussion, due tomorrow, of debate two bills: one to dissolve the Knesset and move up elections, and one to repeal the direct elections for prime minister. Weizman said afterward that the

bill proposal to advance the elections will pass on second and third readings.

"I believe we need early elections now," Barak said before entering the President's Residence. "In a state where 230,000 children are going to school tomorrow without a book or a pencil case because their fathers are unemployed, the government is not worthy of remaining in office," he said.

Barak said the proposal to

advance the elections had passed the preliminary reading with a majority of 60 MKs. "I believe there is no power in the world which can stop this legislation," he said.

He called on the government to invest in infrastructure and in creating jobs and change the order of priorities by placing education at the top. And most important of all, he said, "resume the peace momentum."

Weizman's involvement in the

opposition's bid for early elections brought angry reactions from the Likud.

Science Minister Silvan Shalom demanded "a public discussion of Weizman's involvement. This is extremely grave and cannot be accepted. Weizman has gone too far and this will lead to contempt for the institution of the presidency. The president was not elected to intervene in political issues, it is a state position representing the entire public."

The Likud spokeswoman said that "Barak is the last person who can talk about the economic situation. For if the government fails, carried out its courageous steps to reduce the vast deficit which the Labor government left behind, we'd be in Russia's situation."

She also reminded Barak that "Labor has a NIS 90 million deficit and a crumbling municipal election staff. Anyone who cannot manage themselves, has no chance or ability to run the country."



Communist Party leader Gennady Zyuganov speaks to members of the Communist faction in the Duma yesterday. (Reuters)

DUMA

Continued from Page 1

He told the Duma the government would take urgent steps to prop up banks and protect individuals' accounts. He also called for a program to prop up the ruble, lower taxes, and revive the industrial sector, but gave no details.

Zyuganov agreed that the failure to reach an agreement in parliament could be catastrophic. "Everything may spill into the streets," he said.

But deputies said they could not bring back a man who oversaw failed policies from 1992 until he was fired last spring.

Zyuganov said Chernomyrdin is responsible for many of Russia's current problems, and liberal Yabloko faction leader Grigory Yavlinsky accused him of creating "a semi-criminal economic system."

"It was during his years that Russia became the world leader in corruption," the reformist Yavlinsky said. "You ask any kid what's the problem with the government and the answer will be: 'They are thieves.'"

In a final plea, Chernomyrdin admitted that "I have made many mistakes." But he said some of the accusations against him are false and stressed that he disagreed with the previous government's decision to deval-

ue the ruble, restructure state debt, and impose a 90-day moratorium on paying off debts.

"Everything we did during the week, everything we have agreed on, all that was suddenly destroyed," Chernomyrdin said bitterly.

Parliamentary leaders agreed afterward to hold talks today to draw up a list of possible candidates for prime minister to submit to Yeltsin.

Clinton is to be greeted on his arrival by Chernomyrdin, before heading to the Kremlin later for talks with Yeltsin.

Hours before his departure, Clinton pledged continued US support for Russia so long as its leaders "stay on the path of

reform" and do not revert to the communist ways of its past.

"The Russian people are to be commended for embracing democracy and getting rid of the old communist system, but they're having some troubles today making the transition from communism to a free-market economy," he said.

Chernomyrdin, meanwhile, said that as acting premier he would take steps to pay back wages to the military, coal miners, and students. He also said he would submit his cabinet proposals to Yeltsin today.

"No matter what, I must make decisions because life goes on," he said. "A state cannot live without government."

Gov't official blames Arafat for peace process delay

By HERB KEIRON, MARGOT DUDKEVITCH and MOHAMMED NAJIB

Palestinian Authority Chairman Yasser Arafat's rejection of the latest proposal for a 13 percent Israeli withdrawal from the West Bank has slowed down negotiations to wrap up a second redeployment agreement, an official in the Prime Minister's Office said yesterday.

That proposal included designating 3% of the land as nature reserves, in which Palestinian construction would not be allowed. Arafat reportedly rejected that idea in a recent letter to US President Bill Clinton.

The official said talk of new elections may be one reason why Arafat turned down the proposal. Another reason, he speculated, may be that Arafat is now feeling that the longer he holds out, the more international and domestic pressure will increase, forcing Prime Minister Benjamin Netanyahu to make additional concessions.

The official termed a recent document spelling out Israeli readiness for a 13% second redeployment that Netanyahu's adviser Yitzhak Molcho passed on to Arafat as only a draft and not a concrete proposal.

The next step would have been for a draft agreement drawn up by Molcho and Palestinian Legislative Council Speaker Ahmed Qreia to have been brought before both Netanyahu and Arafat for final agreement. According to Palestinian

sources, in the letter to Clinton, Arafat expressed doubts about Israel's readiness to implement the second redeployment and about US guarantees concerning a third redeployment. A document that had been signed by former US secretary of state Warren Christopher said that the second pullback should have been carried out by yesterday, August 31, the letter pointed out.

Arafat also said he was concerned that Netanyahu would be unable to execute a third redeployment due to pressure from right-wingers in the cabinet.

According to PA sources, Arafat informed Clinton that he is willing and ready to progress with the joint security committees, but asked that Clinton conclude negotiations regarding the security guarantees so that progress on security cooperation between the two sides can be made.

At a news conference with Crown Prince Hassan in Amman yesterday, Arafat accused Israel of "procrastination and placing burdens in the way of the American proposal" and stressed that the Palestinians "are committed to a peaceful settlement... as a strategic option." He acknowledged, however, that there was "no doubt, some progress" in peace negotiations with Israel.

Hassan reaffirmed that Jordan will use its influence with Israel to help the Palestinians until "an entity and the independent state emerge."

Arafat's spokesman Marwan Kanfani told *The Jerusalem Post* that the peace process will remain

alive as long as attempts still are being made to revive it and neither side declares it is finished.

"The return of the process to its natural track is in the interest of Israel, the Palestinians and the US as it concerns security and stability in the region," he said.

Meanwhile, Qreia met with Egyptian Ambassador Bassiouny in Ramallah yesterday to discuss the latest developments in the peace process.

"In this case we have to deal with this subject very accurately, very honestly, with our people. Otherwise we are going to have people taking revenge. We are going to face civil war between the people themselves because we are a conservative society," he said.

"If we don't do this, then the people will think seriously about revenge and then this will make for bloody crimes," Abu Meidein said. "So in this case we have to move and accept the judgment of the military court."

Abu Meidein said a similar punishment could be given to those selling land to Israelis, but he did not think it would be used on those who carried out attacks against Israel. The PA, he said, is more concerned with dealing with internal issues and not those who perpetrate attacks against Israel.

Palestinians give wide backing for executions

By MARGOT DUDKEVITCH

Palestinian Authority Chairman Yasser Arafat's order to execute two Palestinian policemen on Sunday appears to have won wide support from Palestinian officials and the public.

Many suggested that the executions of Mohammed Abu Sultan, 25, and his brother, Raed Abu Sultan, 24, were aimed as a warning to security forces against taking the law into their own hands or abusing their power to settle personal scores.

The Abu Sultans and three brothers were tried by a military court Saturday in a lightning trial for involvement in the gunning down of Majdi Khalidi, 32, and his brother Mohammed, as part of a family feud.

Others said that Arafat, whose leadership has been questioned mainly due to his ill health, was in fact declaring that he remains in control and will not be challenged.

Palestinian officials argued that the rising crime rate, especially incidents of murders in Gaza, warranted swift action not only as a deterrent but also in response to the public, which has often complained about the way Palestinian security forces abuse their power.

However, human rights leaders in the territories called on the PA to do away with capital punishment.

Dr. Aaron Lerner, a right-wing activist who is director of the Independent Media Review and Analysis, spoke yesterday with PA Minister of Justice Fathi Abu Meidein about the executions. He made a transcript of the interview available to journalists.

Abu Meidein told Lerner that any crime committed by murderers similar to the crime committed by the two policemen will be treated in the same fashion.

"We gave ourselves four years to take the 'right decision regarding capital punishment,'" Abu Meidein said. Arafat has in the past always refused to authorize capital punishment, but, he added, the PA had "reached a red line" because of involvement of security forces in killings, either directly or by furnishing arms.

"In this case we have to deal with this subject very accurately, very honestly, with our people. Otherwise we are going to have people taking revenge. We are going to face civil war between the people themselves because we are a conservative society," he said.

"If we don't do this, then the people will think seriously about revenge and then this will make for bloody crimes," Abu Meidein said. "So in this case we have to move and accept the judgment of the military court."

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Doing their homework

Jerusalem Mayor Ehud Olmert (l) confers yesterday with President Ezer Weizman at the Yigal Allon school in Ramot in advance of today's scheduled start of the school year. The sign reads: "Shalom, first grade."

Mercy gift from the Holy Land

BEIJING — Maj. Gen. Luo Bin, tapping his foot on the tarmac, was clearly annoyed. Defense Minister Yitzhak Mordechai was about to take his first step in China and was already off on the wrong foot, it seemed.

"The host is not supposed to be waiting," Luo said, as Chinese and Israeli officials took turns glancing at each other, then at the plane and back at each other.

Finally, Israeli Ambassador to China Ora Namir scuttled up the steps to the plane to see why Mordechai and his wife Kochava were not coming down.

She emerged a minute later with the couple, who apparently had been waiting for the general to come to them.

The tension from the diplomatic faux pas dissipated almost instantaneously and hands were shaken all around.

It was just a refueling stop on the way to Shanghai, but it was an opportunity for the Defense Ministry delegation to officially hand over medicine it had brought as a gift to the Chinese to help the flood victims.

Rafi Noi, special adviser to Mordechai, carted over a cardboard box

from the hold and added it to three others on a table set up on the tarmac. On them were written: "Aid from the people of Israel to the people of China."

Miniature flags of both countries were placed on top.

The boxes were some of a few dozen Mordechai brought with him containing about 700kg. of antibiotics and water purification tablets Israel was donating to China.

It seemed almost ridiculously minute considering the scale of the flooding and the fact that China is quite able to help itself.

No one mentioned the fact that Israel has only 5.9 million people while China has a population of about 1.3 billion according to last count, with 70 million more born every year.

But it was the thought that counted.

"We assure you that we will pass on this medicine to the people in the... province (which suffered most)," said Li Baoku, the deputy minister for civil affairs.

REPORTER'S NOTEBOOK

"The people need this kind of medicine. We have a saying in China," Li said through a translator. "Even if you send the fur of a swan a thousand miles away, still we think it is the heart of the people."

It may have lost something in translation, but we know what he means.

Mordechai in China to 'open doors'

By ARNOLD O'SULLIVAN

BEIJING — Defense Minister Yitzhak Mordechai, leading a delegation of high-powered industrialists, said he is in China to "open doors" and didn't bring a briefcase full of contracts to sign.

After spending a whirlwind day in the bustling port of Shanghai, Mordechai said this developing superpower presents a lot of potential for lucrative deals.

"I hope that from the meetings I had today with the navy, the regional mayor, and other generals, a closer relationship will develop with the government and military leaders in China. I also hope very much that the talks we arranged between the heads of our defense industries and the heads of defense industries here will lead to links and serious exchange of information."

Chinese officials have upgraded Mordechai's visit and are now treating him on the same level as a national leader.

It was learned that Mordechai and his entourage will be housed in the Official Guest House in Beijing, where he arrives today, and not at a hotel as originally planned.

Israeli defense officials said the step may have been taken for security reasons.

Mordechai may also meet on Thursday with either President Jiang Zemin or Premier Zhu

Rongji. Defense sources said the Chinese have asked Mordechai to brief them on the Middle East peace process.

Upon arriving in Shanghai, Mordechai visited the large navy base, where he was greeted by a brass band and honor guard. He then stepped aboard one of China's newest frigates to inspect its high-tech armament and queried the captain on Chinese inter-operability capabilities with other forces.

"I'd like to wish you much success," Mordechai told base commander Rear-Adm. Ho Yueru. "And I wish you that you will never need to use this warship. And if you do, I'm confident you'll know how to use it wisely."

Ho chuckled politely. "Your face is not unfamiliar to us because we often see you on our TV," he said.

After visiting the navy, Mordechai, accompanied by his wife Kochava, went to the Ohel Rachel synagogue in downtown Shanghai.

After struggling with the tiny nails, he managed to hammer in a silver mezuzah to the doorpost.

The synagogue was built by Sir Jacob Sasson in 1920 and served as one of the main houses of worship for the Jewish community which swelled the city during the 1930s and 1940s. It was abandoned in 1948, when most of the Jews emigrated.

Mordechai took a break from

his duties to tour some of the buildings and rode to the top of the 468-meter Oriental Pearl Tower, the highest TV tower in Asia, for a look at the city.

Escorted by commander of the Shanghai garrison Maj. Gen. Wang Wenhui, Mordechai then strolled along the banks of the Hangpu River.

The Defense Ministry is reopening its office in China after being without a representative for a year. It is to be headed by Haim Oman, who has just spent a month touring China preparing for the job.

Mordechai said he and Prime Minister Binyamin Netanyahu are making great efforts around the world to "open doors and support the Israel's defense industries."

"China has economic problems, but it also has a large army which it wants to modernize," Mordechai said. "It is thirsty for advanced technology."

"But today wasn't for making deals," Mordechai added.

"I didn't come with a briefcase full of contracts. I came to create understandings on a strategic level with China, to influence matters vital to Israel. But I also came to help the defense industries create the appropriate connections."

Today, the People's Liberation Army is flying Mordechai and his entourage to the ancient capital of Xian for what is to be a day of official sightseeing.

Dayan protests early release of man who attacked her

By MICHAEL YUDELMAN

Labor MKs Yael Dayan and Dalia Itzik yesterday protested the early release from prison of Yisrael Lederman, who threw boiling tea into Dayan's face in October 1996. The MKs asked the attorney-general to act to keep him in jail.

Lederman, 61, who was sentenced last April to three years in prison and a five-month suspended sentence, is to be discharged next week after the Prison Service's release committee deducted part of his sentence for good behavior.

"The decision to release Lederman is astonishing because he had disciplinary problems in prison and especially since the court ruled he was a political criminal and a violent man," Dayan said.

Lederman approached Dayan, who was touring Hebron with the Knesset Committee on the Status of Women, while she was having an argument with settlers. He offered her a cup of tea, leaned toward her and hurled the boiling

liquid into her face. Dayan was badly burned in the face and chest.

Dayan revealed that since the report of Lederman's early release was published, threats on her life have been renewed. She is receiving phone calls in which she is told, "next time it won't be tea," Dayan said.

The Attorney-General's Office also has objected to Lederman's early release because he smuggled right-wing propaganda into the prison.

Lederman, who was affiliated with the outlawed extremist Kach group, served three years of a 20-year sentence for murdering a Palestinian man in 1978.

Police officers pointed out that releasing Lederman at this sensitive time would encourage the radical right wing, which will consider him a hero and encourage him to commit more illegal acts against Arabs and political opponents.

Itzik called on the internal security minister and attorney-general to keep Lederman in jail, "where he belongs."

Soldiers erred, inquiry into baby's death finds

By DAVID RUDGE

The IDF's inquiry into Palestinian complaints that delays at a roadblock near Hebron last Tuesday caused the death of a newborn baby has revealed that the soldiers manning the checkpoint made a mistake in judgment.

The IDF Spokesman stressed that troops manning checkpoints or roadblocks have strict instructions to allow passage without delay for urgent medical cases and for humanitarian needs and to allow supplies of essential items.

In the case in question, the inquiry revealed that late last Tuesday night a Palestinian vehicle had approached an IDF roadblock between Hebron and Beit Kahil.

The area under Israeli control in Hebron was closed and under curfew at the time, following the murder of Rabbi Shlomo Ra'anan in Tel Rumeida on August 20.

The driver of the car told the soldiers that he had a pregnant woman with him and needed to take her to Al-Ja Hospital in order to give birth.

The soldiers did not identify any signs of an emergency case and refused to allow the car through because of the curfew.

The woman, Fadwa Adam, 24, was, apparently, already in labor and subsequently gave birth in the car.

Her husband was forced to make a long detour to reach the hospital, where the newborn infant was pronounced dead shortly after arrival.

A complaint over the delay, which apparently contributed to the baby's death, was lodged with the IDF the following day.

The spokesman said the investigation had determined that it was impossible to ascertain for certain that there was a direct connection between the delay and the baby's death.

Nevertheless, it found that the soldiers had made a mistake.

The spokesman said that regulations regarding the risks of soldiers at roadblocks and checkpoints had been reiterated and clarified.

The Military Police have not yet completed their inquiry into the incident.



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PM forms panel on Holocaust property restitution

By HERB KENON

Prime Minister Benjamin Netanyahu yesterday raised Israel's profile in the fight for the restitution of Jewish property lost during the Holocaust, announcing the creation of an interministerial committee to deal with the issue.

Netanyahu established the committee at a meeting of representatives of organizations that have been fighting Swiss banks and European insurance companies for restitution money. The meeting was called to chart policy, and put an end to bureaucratic wrangling between the organizations involved in the issue.

The establishment of this committee underscores the government's desire to become increasingly

involved in the issue. Up until now the fight has been led by US government officials and non-governmental organizations such as the World Jewish Restitution Organization, the World Jewish Congress and the Jewish Agency.

In addition to the interministerial committee, Netanyahu also came out yesterday in favor of legislation establishing the Fund for the Jewish People to be run by Israeli and Diaspora leaders that would set guidelines and oversee the allocation of funds from the Swiss banks and the insurers.

Netanyahu asked that Bobby Brown, his advisor on Diaspora Affairs, Likud MK Avraham Herschson, chairman of the Knesset Committee on Restitution of Jewish Property, and Israel Singer, chair-

man of the World Jewish Restitution Organization, put together a bi-annual report on the issue.

Herschson said that the Knesset will have a meeting on the issue soon after it convenes, and honor those who have been instrumental in the fight, including Singer, World Jewish Congress head Edgar Bronfman, and New York Senator Alfonse D'Amato.

After months of negotiations, a \$1.25 billion settlement was reached with Swiss banks two weeks ago, and a memo of understanding was signed last week with six insurance companies to resolve the unpaid policies of Holocaust victims. In addition, a \$190 million fund was created by Swiss banks for aid to needy Holocaust survivors in 1997.

Numerous players involved in disputed Holocaust funds

Disputes over Holocaust compensation began to fester long before vast sums of money became available to resolve dormant Swiss bank accounts and unpaid European insurance policies.

Advocates for Holocaust survivors and heirs - often pursuing different agendas, aiming at different targets, and hinting at separate deals - have jostled with opportunists over who speaks for survivors and how compensation will be used, often overlooking that those decisions may be out of their hands.

There are numerous players on at least three continents - survivors groups, relief agencies, Jewish organizations, Holocaust institutions, US insurance regulators, private lawyers, and, hovering in the background, the government of Israel.

Israel's role is especially unclear. It is understood, for example, to be the representative of the Jewish people, but the Foreign Ministry declined to act as a "guarantor" of any agreement when the Swiss banks raised the prospect late last year. Israel also has been discredited as a reliable bargaining partner by the Knesset's year-old agreement with Generali to create a \$12

BACKGROUND

million "memorial fund" that failed to resolve the question of unpaid insurance policies.

Further, Jerusalem would have to navigate a restitution role without setting a precedent that the Palestinians would invoke as they pursue their own property claims.

With the pending Holocaust compensation, it is not yet possible to indicate what will be available, and for whom.

There are two separate categories of potential beneficiaries - survivors and heirs with direct claims to Swiss accounts and insurance policies, followed by other survivors who could theoretically benefit from the "residuals" - funds that remain once the claims have been paid.

It is not yet determined whether residuals would be distributed as direct cash payments to survivors, or to institutions that serve survivors, or to a combination of the two.

And the role of Jewish organiza-

tions - and by extension, Israel - differs according to the settlement involved. In neither instance are Jewish organizations independent.

The \$1.25 billion settlement with the Swiss commercial banks will be overseen by Edward Korman, a US federal judge in Brooklyn. Korman already is aware of the political and bureaucratic snafus that have stymied Jewish organizations' ability to distribute the \$270 million Swiss humanitarian fund for needy Nazi victims.

Although the fund was established on March 1, 1997, Israeli survivors have yet to benefit from the \$59 million set aside for them. And in the US, the credibility and distribution savvy of Jewish organizations was undercut when they refused to establish a "needs test" and deferred to a government institution, the New York State Banking Department, to handle much of the work of the fund.

While the Swiss agreement is in the hands of a court, the pact with the insurance companies is dependent on a commission whose powers rests with the insurance regulators who serve in each of the 50 US states and who could enforce the pact by threatening to yank the companies' licenses.



Former Jerusalem mayor Teddy Kollek heads into yesterday's meeting of the One Jerusalem list. Following him is Shimon Shetreet, the head of the list, who is challenging Mayor Ehud Olmert in the November 10 elections. (Brian Healey)

Shetreet vows to curb haredim in J'lem

By AMY KLEIN

Shimon Shetreet's One Jerusalem list yesterday announced as the key elements of its campaign platform the creation of housing, education and employment opportunities to stop residents from leaving the capital.

Shetreet also vowed to fight against disproportionate haredi influence. "We are not going to let

a minority run this city," he said. The municipal elections will be held on Nov. 10.

Shetreet is running for mayor against Likud incumbent Ehud Olmert. Ornan Yekutieli (Jerusalem Now), Naomi Chazan (Meretz) and several candidates from smaller lists are also running.

The fifth seat on One Jerusalem's list is guaranteed to The Third Way's Avi Balashnikov,

senior aide to Minister of Internal Security Avigdor Kahalani. The rest of the list will be determined after Labor Party elections on September 13.

Labor members will comprise half of the One Jerusalem list, but those members who negotiated with Olmert to form a coalition will not be included, said Shetreet.

MK Shimon Peres and Jewish

Agency Chairman Avraham Burg had expressed their support for a joint Labor-Likud list.

In response to criticism that Shetreet is anti-religious, One Jerusalem is running ads in haredi and other publications outlining his activities that have supported religion.

"I am a traditional man, my argument with Olmert is political and not about faith!" the ad said.

Polish president: Auschwitz cross row to end soon

Polish President Aleksander Kwasniewski has written that he believes the dispute with Jewish groups over the placing of crosses at the Auschwitz death camp will soon be resolved.

In a letter made public yesterday that was sent to Avner Shalev, director of Yad Vashem, Kwasniewski wrote that the issue of the crosses is "more troublesome [because] for two years we have been successfully developing Jewish-Polish dialogue." "A

return to the status quo ante is undoubtedly a precondition for solving this difficult situation," he added.

Shalev said this means that the Polish authorities are prepared to remove the small crosses at the site but not the big one.

A Carmelite monastery erected at Auschwitz in memory of the Polish Christians who also died there was removed after protests by the Jewish organizations.

However, a huge cross was left

on the site where the monastery stood. Later, Roman Catholics erected smaller crosses near Auschwitz, at a place where Jewish children were burned alive shortly before the camp was liberated by the Russians.

These crosses were also removed after Jewish protests.

More recently militant Catholic groups have been planting small crosses beside the big one.

"The status quo ante means the situation which existed when

Auschwitz was accepted by UNESCO for its list of the world's cultural heritage sites," Shalev said.

One of the conditions for acceptance was that there should be no religious symbols at the site, Shalev explained. The big cross is located just outside the death camp.

"We are not satisfied with the status quo ante but it is certainly better than the present situation," he said. (AP)

Jerusalem drink-factory owner shot to death in business dispute

By AMY KLEIN

Police last night arrested a woman who allegedly shot and killed Siman Michal, owner of the Super Drink factory in north Jerusalem, and wounded his two sons and a factory worker. One son, Oren, 27, is in serious condi-

tion and the other son, Rami, 42, and the female worker, Orit Tzabari, 28, were lightly wounded, paramedics said.

Eti Michaeli, 45, owner of a garage in Talpote, shot Michal, 62, and his sons because of an old dispute about a garage in the factory compound. The woman came to

try and rent the garage from Michal, but when the conversation heated up, she shot him.

She continued into the next room and shot Rami in the leg, and then approached a parked car and shot Oren and the factory worker. She did not shoot the two people in the back seat of the car.

Plan to stage Fassbinder play angers German Jews

By VERENA SCHMITT

BERLIN (AP) - Jewish leaders have condemned an avant-garde theater for deciding to stage a play by the late filmmaker Rainer Werner Fassbinder that was attacked as anti-Semitic 13 years ago after its one and only German performance.

Garbage, the City and Death, is to be performed at Berlin's Maxim-Gorki Theater in May, according to

director Bernd Wilms, who announced the performance last week.

Wilms denied the play was anti-Semitic, saying instead that it confronts themes of anti-Semitism and xenophobia. "We believe dealing with these subjects is urgently called for," he said Monday.

The chairman of Berlin's Jewish community, Andreas Nachama, was quoted in weekend newspapers as calling the play "Goebbels-esque," referring to Adolf Hitler's propaganda minister Joseph Goebbels.

Fassbinder, who died in 1982, was better known for directing films about postwar Germany such as *The Marriage of Maria Braun*. But he wrote *Garbage, the City and Death* in 1975, he said, because he feared a resurgence of antisemitism in Germany.

The play tells the story of a prostitute and her pimp in Frankfurt during the 1960s and 70s, when police were clearing squatters from buildings.

One character - a rich, Jewish, real estate speculator who is the target of insults - is supposedly based on Ignatz Bubis, a Frankfurt businessman and the chairman of the Central Council of Jews in Germany.

The play was performed in Frankfurt in 1985, but only before an audience of journalists. The play was never produced again in Germany, although it has been staged around the world, including New York.

Labor demands probe into Jubilee association

By MICHAEL YUDELMAN

Labor secretary-general Ra'anan Cohen yesterday asked State Comptroller Eliezer Goldberger to investigate the activities of the Jubilee association and its director Doron Shmueli, whom Cohen accuses of acting for political motives and wasting public funds.

Cohen is also demanding that the Knesset's Control Committee convene a session, with the participation of Shmueli, to discuss the Jubilee association's failure.

In his request to the state comptroller, Cohen claims the Jubilee association has acted as a political body and based its decisions on political, factional and unprofessional considerations.

The association wasted public funds and ignored the contributions of half the nation to the State of Israel, Cohen said, adding that for these reasons the Jubilee events were a complete and utter failure.

The association's failures culminated in the Jubilee Exhibition, which cost an astronomical sum and drew very few people, Cohen said.

Cohen said Shmueli, who admitted his personal failure, acted as a political appointee.

Cohen is demanding a probe into a series of erroneous decisions, including the controversy over the Bat Sheva dance troupe at the Jubilee Bells performance, giving

contracts to friends, advisers and political supporters and bypassing the required procedure for a public tender, funding events in Hebron and events of religious and haredi groups, while ignoring the contributions of the kibbutzim, youth movements and leaders who represent the values of the Labor movement and the Jubilee Exhibition, in which only a handful of ministries took part.

The Jubilee Association's budget was NIS 120 million.

Former finance minister, MK Avraham Shohat, who helped Cohen prepare the probe request, said Shmueli gave NIS 2.4m. to a friend of his for producing the television ads for the events, without issuing a public tender or obtaining the approval of the association's executive.

A sum of \$300,000 was given to a small number of wealthy American Jews, rumored to be supporters of Prime Minister Benjamin Netanyahu, so they could organize receptions in honor of the Jubilee, Shohat said.

The Jubilee Exhibition budget was NIS 60m., NIS 27m. of which came from the association and the rest from the ministries which participated and the IDF, which put up NIS 10m.

Cohen and Shohat said the number of visitors to the Jubilee Exhibition was much lower than the 600,000 that Shmueli said.

Mechanical failure causes chopper crash in S. Lebanon

By DAVID RUDGE

The IAF yesterday launched a full-scale inquiry into the crash of a Bell 206 helicopter inside the security zone in south Lebanon in which three officers and a soldier were injured.

Initial findings last night indicated that the crash, which occurred as the pilot was preparing to land near an IDF outpost, was caused by a mechanical breakdown.

Security sources said the co-pilot had reported that both he and the pilot had felt the helicopter shudder and then begin to spin just prior to the landing.

The helicopter then, apparently out of control, struck the ground, toppled onto its side and the main

rotor came off.

The pilot reportedly had just enough time to inform his co-pilot and tell the two passengers to hold on tight, before the small chopper crashed less than 300 meters from the landing pad.

He also reportedly managed to send off a distress signal and within a few minutes a rescue team had reached the crew.

The pilot broke his leg and is in Safed's Rebecca Steff Hospital. The co-pilot and the two passengers were lightly hurt. They were taken to Haifa's Rambam Hospital and two were released after treatment.

Dr. Zvi Ben-Ishai, deputy director of the hospital said that one of them had been held for observation, but is likely to be released today.

It was the fifth accident in the air force since the beginning of the year.

The fear that Hizbullah might try to attack the stricken craft or reach the scene to take prisoners prompted a swift rescue operation. Helicopter gunships were ordered to cover the area, while infantry troops raced to it and a medical helicopter was also prepared.

Security sources said the rescue forces acted promptly and efficiently and the evacuation was carried out smoothly.

IAF experts have already begun examining parts of the helicopter and its mechanical history is being thoroughly checked, as are all other aspects that will help uncover the cause of the crash.

Where to eat in Israel

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COFFEE MILL, Coffee Beanery and Loose Teas, Espresso Bar, Jim. Rabbinate kashrut. Light dairy menu; coffee & tea accessories. 23 Enef Refaim. Tel. 566-1666. Can. Talpote. Tel. 672-5491.

DARNA - Authentic Moroccan Restaurant, KOSHER. Our home is your home. Business lunch, salads, couscous, dessert, traditional mint tea. Only NIS 68, with this ad. Open 12-3 p.m., 8:30-11 p.m. 3 Horkanos St. Tel. 02-624 5406.

DEVORAH SCHECHTER CATERING, Kasher Limehadrin, Jerusalem Rabbinate. Catering for all occasions, Shabbat and Hagim. Meat, dairy and parve menus. Great desserts. Tel. 02-679-4872. Fax: 02-679-5370.

EUCALYPTUS - The taste of Israel from Biblical Days. Excellent meat, fish & vegetarian dishes enhanced by a masterful use of herbs and spices. Luncheon specials. Evening entertainment. Rave reviews. Kasher. 7 Horkanos St. Tel. 02-624 4381.

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MARVAD HAKSAMIN ORIENTAL RESTAURANT - Mid-Eastern and Yemenite food; Kasher/meat Open for lunch & dinner till 11 p.m.; Sun.-Thurs., Fri. till 3 p.m. 16 King George St. (next to Carvel). Tel. 02-625 4470.

NORMAN'S STEAK'N BURGER - Freshest burgers, steaks, ribs, chicken, fish, salads and more, grilled to perfection. American style food and service. Kasher Jerusalem Rabbinate. 27 Enef Refaim, German Colony. Tel. 02-566 6903.

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THE 7TH PLACE - Popular Jerusalem dining spot, authentic Southern Indian and dairy cuisine. Spacious, bright and friendly. Live show every night. Kasher. 37 Hill St. (Bell Agron - the journalists center). Tel. 02-625 4495.

TROCADERO - New Italian Restaurant and Coffee Shop in the elegant Judaea Center at Gush Etzion Junction. Magnificent views. Private Party facilities. Free glass of wine with ad. Open 9 a.m. - midnight & Sat. night. Kasher dairy. Tel. 02-693 2777.

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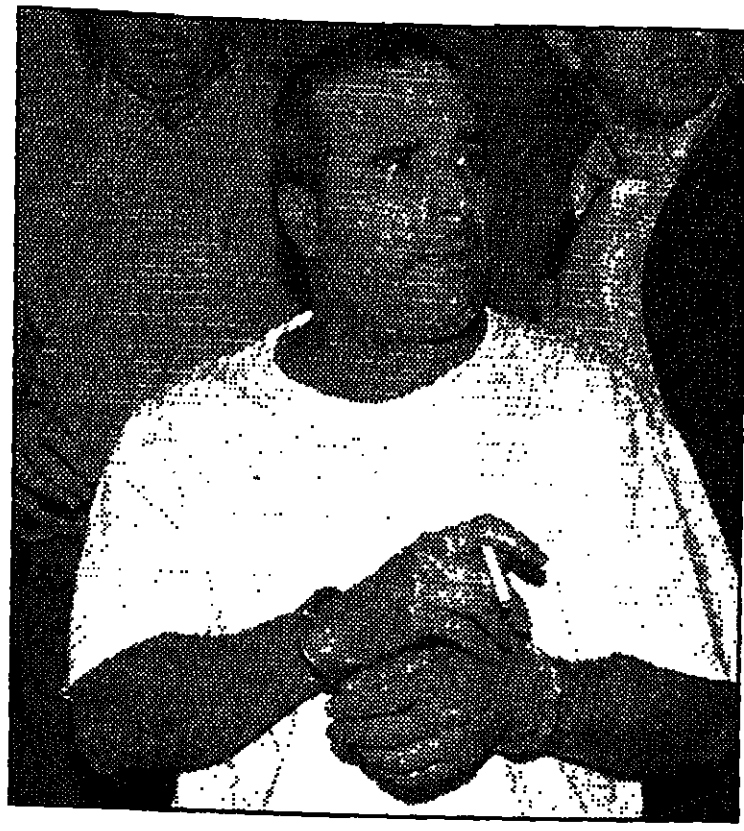
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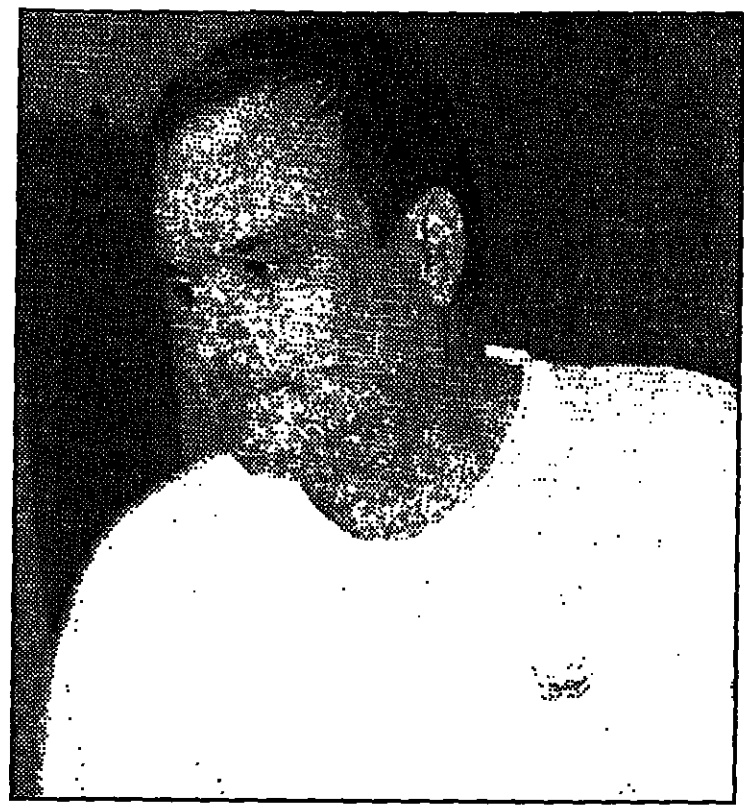
2 held for '82 murder of 12-year-old

Two brothers have been remanded on suspicion that they kidnapped, murdered, and dismembered 12-year-old Nava Elimelech in Bat Yam in 1982. Parts of her body, wrapped in plastic bags, were found on a Tel Aviv beach several weeks later.

Yehuda Shelef, 48, of Bat Yam, and Amos Shelef, 44, of Jaffa, were arrested on Sunday, but publication of their arrest was banned. Yesterday Tel Aviv Magistrate's Court Judge Adina Talmor ruled that Yehuda Shelef, who is suspected of murdering the girl, be remanded for 10 days, that his brother, who is suspected of helping him, be remanded for four days and lifted the publication ban.



Amos Shelef



Yehuda Shelef

Both men deny having any connection to the crime.

After 16 years of investigation, during which the Elimelech family was updated every few months, police recently obtained new evidence. Police said that each year on the anniversary of Elimelech's death, Yehuda Shelef would bring flowers to her grave.

In addition, during the proceedings in Yehuda Shelef's divorce two years ago, his wife claimed that he had threatened to do to their daughter what he had done to Elimelech.

Yehuda Shelef's lawyer denied the charges, saying Shelef's ex-wife was trying to destroy his reputation and have him imprisoned. He pointed out that the Supreme Court had acquitted Shelef of

charges, brought against him by his ex-wife, that he had molested their children.

Nava Elimelech's brother Yossi yesterday thanked police for their hard work and for keeping the family updated on their progress for so many years. He cautioned that the case is not yet closed.

"I'm not excited anymore. I'll be happy if the murderers are found and the circle is closed, but this is not the first time that people have been questioned in the case," Elimelech said. "My gut feeling is that there are a lot of people who have said the sentence that Yehuda Shelef supposedly

said to his daughter but, on the other hand, I also have a feeling that the police have much more evidence which they haven't yet shared with the family or the media."

A case that shocked the nation

On Saturday, March 20, 1982, Nava Elimelech, 12, left her parents a note telling them that she had gone to play with a friend. She never showed up at her friend's home, and her parents never saw her again.

Police began searching for her. There were reports that she had been seen in the center of Bat Yam, getting into a white car with two men, but no evidence.

A few weeks later, a plastic bag containing the girl's head was found at the Tel Aviv beach in Tel Aviv. Other parts of her body, also wrapped in plastic bags, were found at nearby beaches over the next few weeks.

The Elimelech family left Bat Yam and has moved

repeatedly over the past 16 years in an attempt to give Nava's sister and two brothers a chance for privacy and a fresh start. Golan Arviv, a classmate of Elimelech's, yesterday recalled the trauma their class had suffered.

"The incident troubled us for months and years afterward," he told Army Radio. "I would have nightmares of body parts chasing me. It left a strong impression on all of us."

"The shock was the difference between the brutal murder and Nava's innocence. She was a very quiet girl, very introverted. We were young children and she was a wonderful girl."

As CGS, Eitan blamed Arabs

Agriculture Minister Rafael Eitan, who as chief of general staff in 1982 had suggested the murder of Nava Elimelech was part of an initiation rite to a Palestinian terrorist organization, yesterday refused to comment on the developments in the case.

Eitan's spokesman Nafali Yaniv said Eitan had not been referring specifically to Elimelech when he suggested the murder was committed by an aspiring terrorist. Eitan knew certain terrorist groups demanded new recruits bring proof they had murdered a Jew, and said this aspect should be explored as well, Yaniv said.

Police at the time called Eitan's comments speculation. Then-interior minister Yosef Burg, who was responsible for the police, denounced his comments, saying no such evidence had surfaced. Michal Yudelman

Panel: Vaccinate all babies against hepatitis A

Next year, Israel will probably become the first country in the world to vaccinate all babies against both hepatitis A and hepatitis B, Dr. Alex Levinthal, head of the Health Ministry's public health department, disclosed yesterday.

Family health (tipat halav) centers started giving newborns hepatitis B vaccine in 1992.

The ministry's advisory committee on immunization recently decided in principle to vaccinate toddlers between one and two years old for hepatitis A, and now officials are optimistic that they will get funding for this, NIS 10 million; at present, the government spends NIS 22 million for all baby vaccinations.

The Israel Pediatricians Association (IPA) and the Israel Family Doctors Association yesterday launched a joint campaign to encourage the public to get vaccinated against hepatitis A and B. IPA chairman Dr. Manuel Katz said that over 80 percent of youths are not protected against hepatitis B.

Both types of hepatitis can cause serious complications, Katz said, and a single liver transplant, along with medications, hospitalization, and family costs, can run to \$500,000.

Only recently did an active hepatitis A vaccine, offering lifetime protection against the virus, come onto the market; before that, passive, short-term immunity was conferred by gamma globulin shots.

The active vaccine, given in two shots six months apart, costs (at a health fund, with a doctor's prescription) NIS 80 per baby, and of NIS 280 for youths and adults.

Soldiers still get the passive vaccine, which protects them for

the critical period of initial service, but not their entire three years.

The hepatitis B vaccine, also given in two or three doses, costs only NIS 30 per baby, child, or adult.

Neither vaccine causes side effects or complications.

Hepatitis A is endemic in certain sectors of the population, especially large, lower-income families such as Arabs and haredim. The virus is transmitted via infected water or food and by contact with feces, thus the disease is commonly found in day care centers.

The number of reported cases is about 4,300 per year, but the actual number is estimated at 10 to 20 times that figure. The incubation period is up to six weeks during which the patient shows no symptoms.

Symptoms of the disease include fever, vomiting, diarrhea, yellowing of the skin, weakness and dark-colored urine. Most cases pass without incident, but in some patients, there is an acute liver infection that requires a liver transplant.

Hepatitis B, a much more serious disease, can result in chronic liver disease or liver cancer decades after infection. Over 120,000 Israelis are hepatitis B carriers, and they can pass it on by blood contact, sexual relations, and even long-term non-sexual contact in a family, such as the sharing of toothbrushes.

Hepatitis B vaccine is especially recommended for people in high-risk professions, including doctors, dentists, dental hygienists, nurses, medical students, blood bank workers, ambulance drivers, hospital cleaning workers, and burial society workers, as well as tourists who visit countries where the disease is endemic.

MKs urge fast payment in Maccabiah disaster

The MKs probing last year's Maccabiah bridge collapse decided yesterday to draft a bill compensating the families harmed by the tragedy without waiting for determinations of who was responsible.

Etai Green, spokesman for committee chairman Micha Goldman (Labor), said compensation for the families was the key topic of discussion at the meeting. It was the first substantive one held by the bipartisan committee that was set up last month.

Goldman reportedly stressed at the outset that the committee would not handle any sub judice issues related to the July 1997 disaster, in which four members of the Australian team died and many more were injured when a footbridge collapsed into the polluted Yarkon River.

Five people have been indicted in Tel Aviv District Court for causing death by negligence, including Yoram Eyal, then chairman of the Maccabiah Games Organizing Committee, who appeared during yesterday's meeting along with other Maccabiah leaders.

It was not immediately clear how the panel would be able to maintain a complete separation from the court issues since it is bringing in defendants for appearances.

MK Eliezer Zandberg (Tsimet) said the committee should aim to heal the rift that has developed with Australian Jews since the tragedy.

The panel was set up after lobbying efforts by Australian families, who were dismayed by the work of earlier investigations by police, the Dotan Committee, and an Education Ministry probe headed by former IDF chief engineer Brig-Gen. (res) Yishai Dotan.

NEWS

in brief

Holocaust slave labor suit filed in US court
A lawsuit seeking compensation for slave labor during the Holocaust was filed yesterday in US federal court in New York against Siemens, Volkswagen, Daimler-Benz, and Krupp-Hoesch. In July, VW reached an agreement in principle to compensate slave laborers, after Klaus von Muenchhausen of Bremen, Germany, threatened a suit on behalf of former VW slave laborers, including Israelis. *Jerusalem Post Staff*

Rapist confesses to Jerusalem crimes
The resident of the South suspected of a series of rapes in that area also has confessed to several rapes and other sex offenses in the Jerusalem area, police said yesterday. Police also suspect he committed other rapes to which he has not confessed. He generally followed the same modus operandi: He would pick up women hitchhikers, introduce himself as Yuval, offer them a job at his summer camp, get their phone number, arrange a meeting to discuss the job, and then rape or molest them. *Itim*

Shalom furious over proposed budget cuts
Science Minister Silvan Shalom was infuriated yesterday by Finance Minister Yaakov Neeman's plan to cut NIS 17 million from his ministry's budget, instead of increasing it to expand research and development. Israel Space Agency operations, and infrastructure. "This would be a fatal blow to my ministry," he declared. Shalom added that he wouldn't agree to proposed cuts in science education, including support for science museums and community science projects he is trying to develop. *Judy Siegel*

Arad named to Civil Service panel
Prime Minister Binyamin Netanyahu has appointed Maj.-Gen. (res.) Shmuel Arad to the advisory committee responsible for reviewing senior Civil Service appointments. Arad replaces Maj.-Gen. (res.) Doron Rubin, who has entered political life. The committee, which includes retired judge Mordechai Ben-Dror (chairman) and Civil Service Commissioner Shmuel Hollander, was created by the cabinet last year to serve as a framework for the preliminary examination of senior appointments. Until it was established, no mechanism existed to provide such evaluations prior to the formal discussion of appointments by the Cabinet. *Jerusalem Post Staff*

Shoval leaving Hadassah for Intel
Yossi Shoval, director of external affairs and spokesman for the Hadassah Medical Organization, is leaving his post after six years and joining the Intel company in a senior position. *Judy Siegel*

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Nation as catafalque

Did the media go overboard with the Death of a Princess story, which started a year ago? After all the near-global emotion, has Diana, Princess of Wales, left any trace behind?

Answers are never as simple as questions, and rarely as informative, but yes, the media always goes overboard on human-interest stories these days.

Despite that, Diana's influence has been profound in Britain. It is worth remembering that while she was a world celebrity, she was not a world leader. Only her own people can claim any legacy.

A year ago, the whole British nation became a catafalque ("an ornate structure on which the coffin of a distinguished person lies in state"). The world watched in amazement while this land of the legendary stiff upper lip became the nation with a trembling lower lip.

A year later, it seems the country still has not grasped what happened - not the death, for we have all come to terms with that, but the catastrophic national nervous breakdown.

Emotional IQ

As much as we can judge from afar, many Britons remain proud of their outpouring of grief for Diana, and enriched for having expressed it. But many others are a bit shame-faced, like some tough guy the morning after he drank too much and wept into his beer in front of all his friends.

One of the most thoughtful analyses of "the legacy" was penned by *The Daily Telegraph's* Matthew d'Ancona (reprinted in this newspaper yesterday). He said that the influence of Diana's death was both subtle and pervasive, and it defined the new premiership of Tony Blair, just as the Falkland war defined that of the newly elected Margaret Thatcher.

Thatcher came blazing out with a new Tory toughness, Blair with what d'Ancona defines as emotional intelligence. Of course Thatcher's toughness soon evolved into good, old-fashioned jingoism, right-wing humbug and insensitive greed.

Whether Blair's emotionally intelligent Britons will crumble into a touchy-feely mish-mash of morons weeping on camera and whining endlessly to other morons on talk shows, we must wait in trepidation to see. Five years on will be a better time to ask about the value of Princess Diana's legacy.

All things

But while it is easy to cry bath-humbug at all the weepy waffle poured out by the tabloid media a year ago, credit must go where credit is due. Not all

journalists are fools, and some very perceptive words were written about the extraordinary phenomenon of a nation mourning as never before. The most perceptive indicated that this was not Britons losing control of themselves, but taking control.

They had just overwhelmingly elected a totally new style government and the leader, Blair, grasped immediately and in a most remarkable way how the nation in its new mood would respond to the tragic news from Paris. He knew that in a television world this was truly the people's princess, as familiar to every woman as

her best friend and to every man as - who knows what - sister, daughter, friend, lover, fantasy, all things bright and beautiful.

Diana also belonged to the subliminal and Freudian subconscious of former little boys and girls who were raised on golden princesses and princely princes and happy-ever-afters that grew up to mortgages, paunches, baldness, cellulite, coldness, boredom, divorce and fears of tragedy. And all of these people had just lost all these people that Diana represented inside 58 million heads. It was enough to make you weep.

Diana's heart, not her head, was her greatest asset. And that remains her legacy. When she hugged an AIDS patient and joked "there is no known risk factor in a hug" she did more to change British public attitudes to the disease with a five-minute soundbite than five years of government awareness campaigns costing millions. In her first year as patron of Help the Aged, the charity's income jumped fourfold.

She adopted causes no other celebrity would touch with a barge pole and touched them instead with the magic wand of media attention. Land mines? No one ever heard of the campaign before Diana walked in minefields and among the maimed in Angola and Bosnia, and the cameras swarmed around her and the crippled children.

Because he grasped the enormity of it, the death made Blair the undisputed leader of a paralyzed country, ahead of developments at every step. The unfortunate royal dinosaurs blundered hopelessly behind, crashing through emotional fences as they trashed around to express in archaic mumbles the feelings they clearly did not share about Diana.

And it was Blair, too, who saved even their thick hides, and skillfully led them back to their rightful place as national figureheads, even in a new Britain they no longer understood.

A year later, the queen lets it be known she wants to be more like Diana. Sorry ma'am. The nation and the world have moved on yet again.

Column One



Thomas O'Dwyer

Open season on Albright

Crises abroad have led to an increase in criticism of US Secretary of State Madeleine Albright, who enjoyed high ratings until recently

By THOMAS W. LIPPMAN

WASHINGTON - These are difficult days for Secretary of State Madeleine K. Albright.

As chief steward of US foreign policy, she finds herself buffeted by a wave of crises: Russia and the Balkans in turmoil, central Africa ablaze with war, Asia in economic breakdown, Americans targeted by terrorists.

And more than at any other time in her tenure, she is coming under criticism from editorial writers, foreign policy analysts and some members of Congress who are challenging not only her management of international affairs but her personal credibility.

For most of her first year in office, Albright had a virtual free ride from an admiring Congress and in the press. But now the wind has shifted a bit, as it often does in Washington, as Albright's record of public statements and policy initiatives are measured against events that have not unfolded as she, or others in the administration, had hoped or foreseen.

Albright said in an interview that after 30 years in Washington, she knows that approval ratings go up and down, and that criticism always mounts in what she called a "heavy-duty political season."

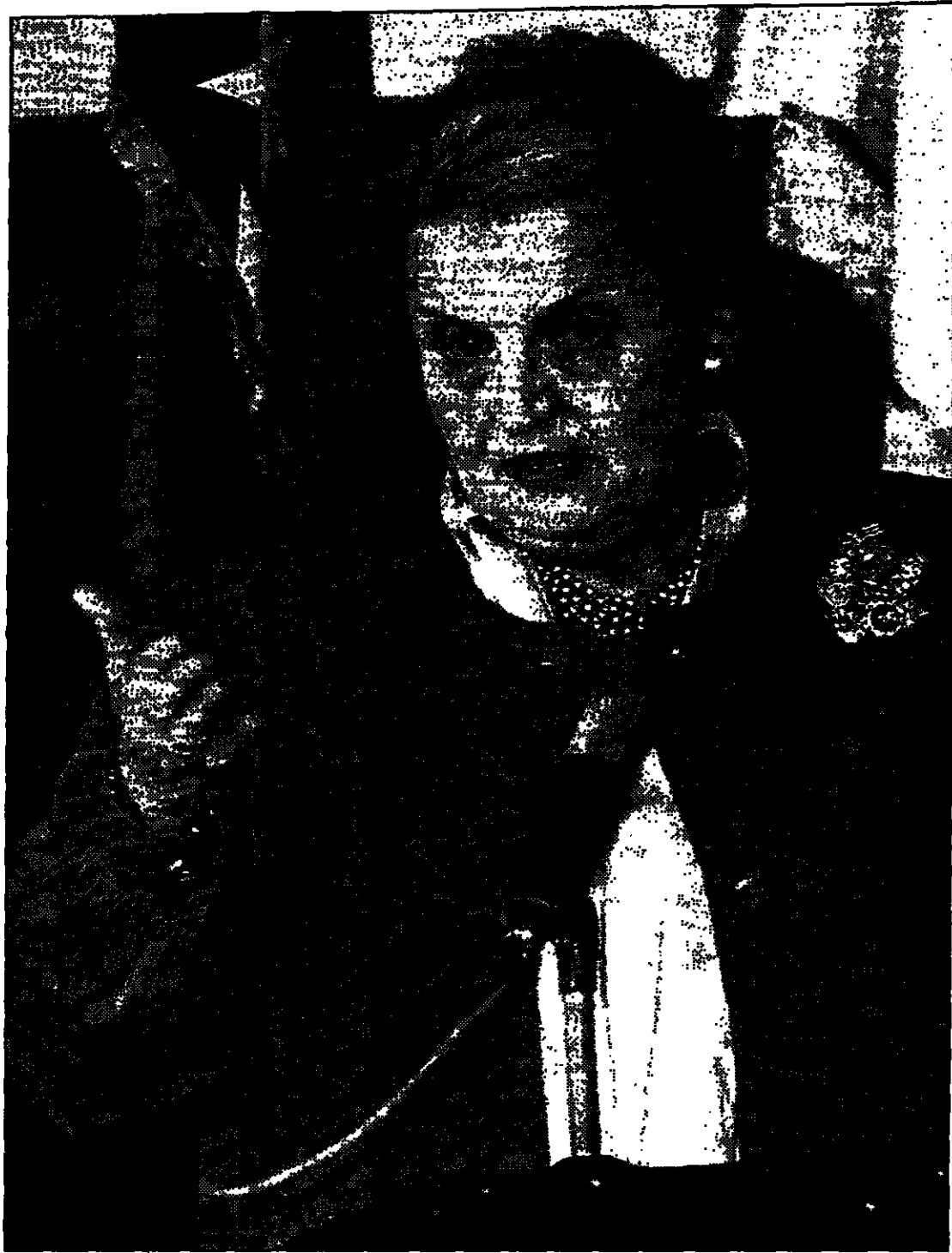
"There have been times when I've been queen of the May and times when I've been the ugly duckling," she said. "But my whole sense of how I need to do my job and my resolve to defend US national interests is not based on whether I'm queen of the May or the ugly duckling. I get up every morning and look at what needs to be done and feel very proud to represent the United States."

As ambassador to the United Nations during President Clinton's first term, she built a reputation as a tough talker, and she won unanimous Senate confirmation for her current job after promising to "tell it like it is" on issues such as human rights. Now Albright is paying a price as critics perceive some inability to match her blunt comments with performance and some issues - notably Iraq - in which her private diplomacy appears contradictory to stated policy.

House speaker Newt Gingrich, R-Ga., suggested in a *Washington Post* interview Friday that Albright may have deceived either Clinton or the public when she intervened with UN weapons inspectors in Iraq to head off several planned challenge inspections while proclaiming a policy, backed by threats of US military force, that insisted on unfettered access for the inspection teams.

House Republicans recently compiled a list of Albright's statements that they said were designed to mislead Congress and the public about North Korea's compliance with an agreement requiring an end to its efforts to develop nuclear weapons.

In the *New Republic* magazine, editor-in-chief Martin Peretz outed Albright and her inner circle of advisers by writing about the Iraq revelations that "Of course, concealing important truths is one of Albright's lifetime habits." That was an apparent reference to the discovery early last year that her grandparents were Jews who per-



Madeleine Albright: "Queen of the May" turned "ugly duckling."

(AP)

ished in the Holocaust, which she said she never knew while being raised as a Catholic.

Even the *Economist*, the British magazine, which has been among her strongest supporters, turned on her earlier this month.

IN THE absence this month of Albright's honeymooning spokesman and confidant, James P. Rubin, the State Department has appeared uncertain about how to respond to some of the criticism. Members of Albright's inner circle, however, said the only real surprise is that the turn did not happen sooner.

Albright "doesn't deserve to be picked off by a press corps interested in protecting the world by screwing its leaders," one member of her team said, in anger characteristic of many defending the secretary.

Since becoming the first female secretary of state in January 1997, Albright has drawn on her personal history and style to communicate American values and policy, using her uncompromising, direct image at times to express what she has called the "indispensable" US role in the world. But her advisers are aware that she is suddenly perceived as vulnerable on the credibility front.

When CNN learned after the lethal August 7 bombing of the US Embassy in Kenya that Albright had turned down an appeal from Ambassador Prudence Bushnell for a new building that would be more secure, Albright aides recognized that such a news story might reflect badly on a secretary of state expressing outrage at the attack and sympathy for the victims. They made the information public in a briefing designed to deflect

responsibility away from Albright and onto short-sighted congressional budget-cutters.

Independent analysts who fault the administration's foreign policy performance said the responsibility for difficulties in the Balkans, the stalled Middle East peace negotiations, Iraq, South Asia and elsewhere may lie as much with Clinton as with Albright, if not more. They said the president's inclination to avoid confrontation, compounded by the handicap of scandal, acts as a brake on Albright's activism.

"On most international security concerns we have a reactive administration, not a proactive one," said Michael Krepon, president of the Stimson Center, a think tank specializing in arms control issues. "In the current environment, reactive doesn't work. Words and images are important

but insufficient. You have to have a president willing to back up the words and images."

SOME commentators date the shift of sentiment about Albright to the "town meeting" on Iraq at Ohio State University in February. The event was designed to build public support for military action against Iraq, but hecklers disrupted it and provoked testy responses from Albright.

More criticism came in May, after she delivered what was widely interpreted as an ultimatum to Israeli Prime Minister Benjamin Netanyahu: an "invitation" to come to Washington a few days later, conditioned on his acceptance of US-proposed "ideas" for breaking the stalemate between Israel and the Palestinians.

Netanyahu refused, and some US Jewish leaders blasted Albright for what they saw as unwarranted pressure on Israel. In the end, while the negotiations that Albright's move was designed to energize resumed, they have not come to the quick conclusion she said she wanted. And the US was perceived as backing down from its challenge to Netanyahu.

In those negotiations, as in Kosovo, Iraq, relations with Russia and other issues, Albright's senior aides said success should not be measured by whether or not there was an immediate response to her public statements. Often, one said, what Albright is doing is "planting the flag," or declaring a goal, rather than "drawing a line in the sand."

Advisers said stories in *The Washington Post* this month revealing her efforts to dissuade UN weapons inspectors from several provocative missions in Iraq, and news coverage of the dramatic resignation last week of weapons inspector Scott Ritter, who accused the US and the UN Security Council of caving in to Iraqi President Saddam Hussein, misconstrued Albright's role and failed to recognize what they said is the administration's determination to contain Saddam Hussein.

"What we are being pilloried for is the failure to bring to conclusion a number of works in progress," said Undersecretary of State Thomas R. Pickering. "Diplomacy isn't instant coffee."

Disagreements over arms control, treaty ratification and the State Department budget have strained Albright's relations with congressional Republicans, despite her stated determination to build good relations with them. On the Democratic side, however, key members appear much more willing to stand up for her than they are for Clinton at this point.

"I see her in every case fulfilling all her roles, laying down the rhetoric of policy and then doing the back room work to get us there. I admire her greatly," said Rep. Sam Gejdenson, D-Conn., a veteran member of the House International Relations Committee. "She's pretty frank," said Rep. Gary L. Ackerman, D-N.Y., another committee member. "When you're frank and somebody agrees with you, you're a hero. When they don't, it's another story. The world's problems can't be cured by sound bites, but she's deeper than that." (The Washington Post)

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North Korea fires missile over Japan

TOKYO (AP) — North Korea yesterday fired a ballistic missile that likely flew over northeastern Japan and landed in the Pacific Ocean, a spokesman for Japan's Defense Agency said.

The first stage of the missile landed in waters between Russia and Japan, but the second stage crossed over Japan and fell into the Pacific Ocean several hundred kilometers off the main Japanese island of Honshu, spokesman Toru Kawajiri said.

The launch was confirmed by Japanese, South Korean, and US defense officials. It was North Korea's first test-firing of a missile in five years and its fourth since 1984.

In response, Japan refused to back a long-planned agreement to help fund two nuclear reactors for North Korea.

The missile was "confirmed to be a brand-new 'Daepodong 1' with a range of 2,000 kilometers," the South Korean Defense Ministry said in a statement.

The test was the first launch by North Korea of a two-stage missile and marks a significant step forward in its rocket technology, Japan's state-run NHK TV said. The missile may have been powerful enough to exit the atmosphere before streaking back down toward the Pacific.

"We see this as a very dangerous act," said chief government spokesman Hironu Nonaka. He said Japan would express its concern to the North through diplomatic channels.

US Secretary of State Madeleine Albright, visiting Sarajevo, told reporters she is also alarmed by the test launch.

"This is something that we will be raising with North Koreans in the talks that are currently going on," she said.

Those talks, in New York, are over a proposal for the North to suspend missile development in exchange for nuclear energy know-how, and some Korea watchers said they suspect the launch was timed to up the stakes.

"Kim is good at brinkmanship," said Hajime Izumi, a noted North Korea watcher and professor at Shizuoka University, referring to North Korea's leader Kim Jong Il.

"This shows that North Korea can make effective missiles," he added. "What remains to be seen is if they can mass produce them, or deploy them."

Masshiro Akiyama, deputy director of Japan's Defense

Agency, said the launch was not totally a surprise — security experts, he said, had been increasing their surveillance of the North since earlier this month.

Stalinist North Korea, which over the past few years has been foundering under devastating famines, is to convene its newly elected parliament on September 5, and it is expected to elect Kim as the country's president.

In June, North Korea also admitted for the first time that it has sold missiles abroad. It had long been suspected of selling missiles to Iran and Syria.

But very little is known about North Korea's missile program, and its possession of a significantly better missile would be a matter of serious concern throughout the region.

North Korea's best-known ballistic missile is the Rodong, which has a range of about 1,000 km. It was last test fired in 1993, and also landed in the same area of the Sea of Japan.

With its 1,000 km. range, the Rodong 1 missile, a modified Scud, could strike South Korea and much of Japan. The newer missile would put most of Japan within range.

In 1996, the US began talks with North Korea aimed at persuading the secretive Communist country to freeze its missile program and to join an international agreement designed to restrict missile proliferation. The talks stalled.

Japan is currently boosting its budget for joint development of a missile defense system with the US and has reportedly earmarked 500 million yen for the project next year.

WORLD

in brief

Algiers market bomb kills at least 10

ALGIERS (Reuters) — A powerful bomb ripped through an open air market in the center of the Algerian capital yesterday, killing at least 10 people and wounding dozens, security forces and witnesses said.

"A home-made bomb exploded on Monday at 10.25 a.m. (local time) near Bab El Oud market ... According to preliminary results, 10 were killed and 15 others wounded," the armed forces said in a statement carried by the official APS news agency.

But a doctor and relief worker at the scene said the number of casualties had climbed.

"So far we have counted 19 dead and 47 injured. But many of the wounded are in critical condition and some might not ... survive," the doctor said.

Albright tells Bosnians Dayton won't be revised

SARAJEVO (Reuters) — US Secretary of State Madeleine Albright told Bosnians yesterday there would be no revision of the Dayton peace agreement, and that the capital Sarajevo must set an example in allowing refugees to return.

"Let me be clear, there will be no revision of Dayton," Albright told reporters after talks with Alija Izetbegovic and Kresimir Zubak, respectively the Muslim and Croat members of the country's tripartite collective presidency.

"Dayton must be implemented fully, there will be no partition and there will be a single state of Bosnia-Herzegovina with two multi-ethnic entities," Albright said at the end of a two-day tour of Bosnia and Croatia.

Greece says Turk Cypriot plan means division

ATHENS (Reuters) — Greece said yesterday that a proposal by Turkish Cypriots to create a confederation of two equal states on Cyprus would only entrench the Mediterranean island's occupation and division.

"Their proposal for the creation of (such) a federation essentially asks to make the division and occupation in Cyprus official," government spokesman Dimitris Reppas told reporters.

Turkish Cypriot leader Rauf Denktaş made the proposal to Greek Cypriots yesterday during a visit by Turkish Foreign Minister Ismail Cem to the Turkish-held north of the island.

More than 1.5 million marooned in Indian flood

NEW DELHI (AP) — Police hoped to locate 20 villages that reportedly disappeared in floodwaters yesterday, as aid workers pulled bloated bodies from the turbulent waters submerging a wide swathe of northern India.

"The destruction is so overwhelming that rescue efforts seem futile," said Kripa Shankar Pandey, a local reporter who lives in Gorakhpur at the center of the disaster zone.

Working with less than 1,500 boats police failed to find any trace of 20 isolated clusters of huts in the unending stretch of water in Uttar Pradesh, India's most populous state and one of its poorest.

An estimated 1.5 million villagers were surrounded by flood waters and marooned.

Typhoon veers away from Japanese coast

TOKYO (AP) — Typhoon Rex veered away from Japan's main island of Honshu yesterday, but the record rainfall it spawned forced thousands to flee their homes.

Flooding and landslides caused by the rains have killed 16 people and injured 46 others since Thursday, said National Police Agency spokesman Keiichi Nakamura. Five people have been reported missing, he said.

National broadcaster NHK reported the death total had risen to 17. Hachijojima is about 250 kilometers (150 miles) south of Tokyo.

A year later: Britain mourns Diana

By AUDREY WOODS

CRATHIE, Scotland (AP) — A year after Princess Diana's death, thousands of people commemorated one of the most public lives of modern times yesterday, while those who knew her best marked the anniversary of a very private grief in the seclusion of their Scottish castle.

Diana's beloved boys, Prince William, 16, and Prince Harry, 13, looking somber and wearing black ties, prayed for their mother at a private service near Balmoral Castle, where their father woke them last August 31 to tell them of her fatal car crash in Paris.

The pile of flowers at the gates of the princess' former home at Kensington Palace in London grew to about a thousand bouquets Monday morning.

Messages in many languages, photographs taken from newspapers, and paper hearts adorned the black and gold palace gates. Up to 100 well-wishers held an all-night candle-lit vigil, and public memorial services were planned at the city's great cathedrals.

The national flag, the Union Jack, flew at half staff on government buildings and royal residences, as an official symbol of the personal and public remembrance of Diana. Queen Elizabeth II was criticized after the princess' death for not lowering the royal standard at Buckingham Palace in her memory.

But for Diana's family it was a day for quiet reflection — private prayers for her sons and the royal family at the tiny stone church of Crathie parish, just outside Balmoral Castle's gates and across the rushing waters of the River Dee, and a private service near her island grave at her family's ancestral home, Althorp, for her brother and sisters.

Crowds and congregations in London, Paris and at Balmoral remembered Diana Sunday and early yesterday with tears, flowers and prayers.

A small crowd kept an all-night candle-lit vigil at an eternal flame above the Paris tunnel where the car carrying Diana and her lover Dodi Fayed crashed in the early morning hours last August 31. Thirty-six candles surrounded the flame — one for each year of



A bouquet of flowers carrying a photograph of Princess Diana is seen attached to the railings of Buckingham Palace yesterday in London.

Diana's life. She and Dodi died along with driver Henri Paul, who was found to be legally drunk.

There was no repetition of last year's massive outpouring of grief and huge crowds — just a constant stream of people visiting Kensington Palace, Althorp and the scene of the Paris car crash.

At Crathie church, the private service, which lasted about 15 minutes, was attended by the young princes, 11 other members of the royal family, and Prime Minister Tony Blair and his wife, Cherie, who were guests of the queen for the weekend. There was

no singing or hymns, just prayers and four Bible readings.

At Althorp, 120 kilometers north of London, away from the public gaze, Diana's brother, Earl Spencer and her sisters, Lady Sarah McCorquodale and Lady Jane Fellowes, planned a service overlooking her burial site on an island in an ornamental lake.

The estate and the museum in Diana's memory closed for the season on Sunday after receiving 152,000 visitors who paid up to \$15.75 each.

Mohamed Al Fayed marked the anniversary of the death of his

eldest son, Dodi, with a private memorial service at his tomb in the grounds of the family estate at Oxted in Surrey, about 32 kms. south of London.

Sir Elton John, whose adaptation of "Candle in the Wind" in memory of Diana captured the grief of millions around the world, criticized her family's decision to bury her on a tiny island far from her sons and her adoring public.

The rock star, in an interview with *The Sunday Telegraph*, said Diana should have been buried in Westminster Abbey, where her funeral took place.

Iraq demands probe of arms inspectors' links to Israel, US

By HASSAN HAFEDH

BAGHDAD (Reuters) — Iraqi Deputy Prime Minister Tariq Aziz demanded yesterday that the United Nations launch an investigation into alleged links between UN weapons inspectors and the United States and Israel.

Aziz, in a letter to UN Secretary-General Kofi Annan — copies of which were handed to reporters — accused the UN Special Commission (UNSCOM) charged with Iraq's disarmament of being a tool of the US to spy against Iraq.

Aziz also lashed out at resigned American UN weapons inspector Scott Ritter and accused him of spying on Iraq for the US and Israel.

"Iraq demands you and the (UN) Security Council open a serious probe into all these facts in order to correct the state of the Special Commission and make it a sincere international body," Aziz said in his letter.

"The Special Commission is controlled by the United States in coordination and cooperation with Britain, and the US designs the methods and work agenda of the commission," he said.

Iraq and UNSCOM are locked in a standoff over inspections of Iraq's weapons of mass destruction. Baghdad decided on August 5 to halt cooperation with UNSCOM until its headquarters was moved from New York to either Geneva or Vienna to curb alleged US influence.

In protest against the Iraqi action, American UN weapons inspector Scott Ritter resigned on Wednesday and levelled an angry blast at the UN Security Council and Annan for not standing up to Baghdad.

Iraq said Ritter resigned because he was linked with the Mossad and the US Central Intelligence Agency. Over the last few days, Iraqi newspapers have been publishing reports about an investigation being conducted by the United States Federal Bureau of Investigation (FBI) on whether Ritter had given information to Israeli intelligence.

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Prof. Joseph Schenker
Chairman of the Examination Board
Pursuant to Israel State Regulations 1988

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Prof. Joseph Schenker
Chairman of the Examination Board
Pursuant to Israel State Regulations 1988

Yeltsin-Clinton summit will barely scratch the surface

By JONATHAN WRIGHT

WASHINGTON — Along an arc from Poland through the Balkans and round to Afghanistan, the clash of interests between Russia and the United States poisons the relationship that was once a barometer for world stability.

But when Presidents Bill Clinton and Boris Yeltsin meet in Moscow this week, they will hardly have time even to scratch the surface in talks on foreign policy disputes, let alone start to resolve them, analysts and officials say.

"Generally the summits have narrowed the differences and resulted in some progress. But obviously this comes at a time in which the Russian government is very much occupied," said US National Security Adviser Sandy Berger.

The Russian financial system has shuddered and Yeltsin, dogged by rumors about his health and durability, has fired prime minister Sergei Kiriyenko.

Viktor Chernomyrdin, summoned back by Yeltsin, reached a deal with rivals on Sunday that may secure his confirmation as premier while stripping the president of some of his sweeping powers. But he may be forced to concede still more.

Communist Party leader Gennady Zyuganov, a key influence in any new "consensus" administration, said he would insist that some pledges Moscow has made to secure a huge loan from the International Monetary Fund should be revised.

Clinton is also in bad shape politically, distracted from the details of foreign affairs by the scandal of his affair with

White House intern Monica Lewinsky.

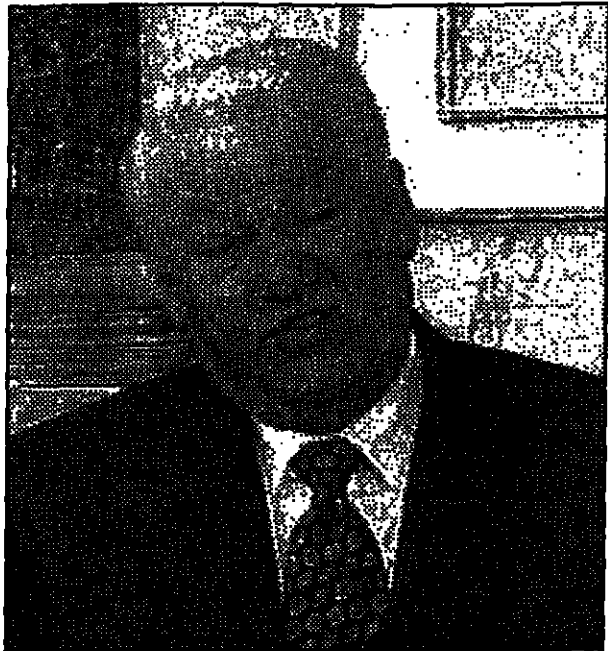
"It's going to be an odd summit because both presidents represent damaged goods with diminished legitimacy and credibility," said Marvin Kalb, director of Harvard's Shorenstein Center on Press, Politics and Public Policy.

"I'd be surprised if there was any substantive discussion (of foreign policy). Nothing can really happen in Russia's current political atmosphere. It's too fluid, too uncertain," added Paul Saunders, director of the Nixon Center for Peace and Freedom in Washington, in an interview with Reuters.

Berger tried to dispel the impression that foreign policy would have to take a back seat. "We have

work to do on nonproliferation, on Kosovo, on Iraq. These issues are simply too important to put on hold," he said on Friday, at a briefing dominated more than 90 percent by the economic crisis.

The analysts said this neglect was bad news for the world, because of the importance of the US-Russian relationship and the danger that foreign policy irritants might accumulate.



Damaged goods: The Russian financial system has shuddered and Yeltsin (left), dogged by rumors about his health and durability, has fired prime minister Sergei Kiriyenko. Clinton is also in bad shape politically, distracted from foreign affairs by the scandal of his affair with Monica Lewinsky.



In the Middle East, the two old superpowers at least share a desire to prevent war. But Moscow does not share Washington's passion for "dual containment" of Iraq and Iran and is increasingly reluctant to endorse US use of force.

It has taken years of US lobbying to curtail Russian sales of military equipment to Iran. But it has not heeded US requests that it call off cooperation with Iran on nuclear reactors for a power plant at the port of Bushehr.

The difference of approach came into sharp focus this month when the United States fired cruise missiles at terrorist training camps in Afghanistan, once a Russian satellite.

"My attitude is indeed negative as it would be to any act of terrorism, military interference, failure to solve a problem through talks... I am outraged and I denounce this," said the Russian president, partly in response to the fact that the US did not inform or consult Russia in advance.

The analysts said the US government should take care not to treat Moscow in too cavalier a fashion, despite Russia's

economic weakness and much reduced influence in world affairs.

"Russia is clearly going to be in bad shape for some years but at some point in the future Russia is going to recover from its problems," said Saunders.

"We need to start thinking about what Russia will be like after Yeltsin leaves and try to make sure there is no real hostility or the perception that the United States is taking advantage of Russia's weakness," he added.

"I'm a little nervous," said Sherman Garnett, senior associate at the Carnegie Endowment for International Peace.

"There's a kind of frustration in the relationship. Moscow is full of stories of how this financial crisis was caused by Washington's policy or that all we want Russia to become is a source of oil and gas. That rhetoric, which was always on the fringes, has become more mainstream," he said.

"There's a cost to this — to not having a serious regular dialogue. Essentially what we're up for with many of these foreign policy disputes is to drift," he added.

Even with concentrated diplomatic work and whoever rules, Moscow and Washington are unlikely ever to see eye to eye on what the rest of the world should look like.

"There are problems that Russia will look at one way and the United States will look at another way simply because they are two large countries with different interests," said Kalb.

"The differences really are intrinsic to the relationship between the two countries. We are in very different parts of the world, we have very different priorities," Saunders said. (Reuters)

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Movies that appear out of the blue

By ANN HORNADAY

It's official. *There's Something About Mary*, the gross-out comedy starring Ben Stiller and Cameron Diaz, is the sleeper hit of the summer, taking on a mantle that *My Best Friend's Wedding* wore last summer and *Babe* the summer before that.

Sleepers — big hits that seem to come out of nowhere, taking film studios, critics and audiences alike by surprise — now seem to be staples of the summer movie season, on par with the biggest explosions and the most humiliating bomb.

But in an age when marketing and publicity are manipulated to within a hair's breadth — when there are computer programs that predict a film's box-office performance before the cameras even start running — is such a thing as an authentic sleeper even possible? And with the advent of studios like Miramax Films, which has mastered the art of bringing otherwise obscure movies to the attention — and attendance — of wide audiences, has the definition of "sleeper" been blurred into meaninglessness?

Todd McCarthy, chief film critic for the trade paper *Variety*, anointed *There's Something About Mary*, which has grossed more than \$80 million since its US release on July 17, "a genuine sleeper."

McCarthy defines a sleeper as "a film [that] is relatively unknown, that comes out of the blue or left field. Nothing in particular is expected of it, unlike the films coming out by Stanley Kubrick or Terrence Malick, which can't not have high expectations on them."

McCarthy adds that because so much calculation goes into making and marketing films — and because of the high profiles of festivals such as Sundance and Cannes as well as a plethora of advance word on the Internet — "it's harder for a film to come out of the blue."

Another movie that has performed unexpectedly well this summer is *Smoke Signals*, a drama by American Indian filmmakers Sherman Alexie and Chris Eyre, which is on its way to clearing \$4 million at the box office.

David Kaminow, senior vice president of marketing for Miramax Films, who oversaw the marketing campaign for *Smoke Signals*, calls the film a sleeper. Sleepers "rely on word of mouth to build into what becomes

known as a sleeper, and that very much happened with *Smoke Signals*," he says.

"It pretty much started as a classic arthouse film. It opened in New York and L.A., then expanded into the top 10 markets, and then the top 20. It's now entering its 10th week, and we're getting ready to cross over \$4 million, and for this film, that's a great success. The arthouse market in particular lately has been just as crowded as the mainstream, and this is one of the breakthroughs of the season."

Kaminow says that *Smoke Signals* is playing in the top 60 markets in the country, a number Miramax always planned to hit. "What's changed is how deep we've gone in particular markets. We're taking it into more mainstream theaters and locations."

McCarthy takes issue with calling *Smoke Signals* a true sleeper. For one thing, the film won the audience award and filmmakers trophy at the Sundance Film Festival this year, "so it's not much of a surprise," he says. "The nature of the film, the subject matter and the people who made it are not your usual suspects, but it did have some imprimatur going in. For the audience it might be an unknown thing, but for the industry it's a known quantity."

"To me, it's not about having industry buzz, it's about having buzz among the moviegoing public," Kaminow says. "The day it opened, if you had asked people, 'Have you heard of *Smoke Signals*?' less than 1 percent would have heard of it."

"The term 'sleeper' gets thrown around a lot," Kaminow says. "For me, it's a movie that, when it first comes out, no one's really paying all that much attention to it, but then eight weeks later you find yourself with a hit on your hands you never expected."

But didn't Miramax know it had a hit when it bought *Smoke Signals* at Sundance last January?

"We knew we had the film, and we knew we had the ability to take it to the next level," Kaminow admits, adding that what Miramax does — taking what would otherwise be a niche film and bringing it to a larger audience — may be best termed a "crossover/sleeper" phenomenon.

"And I guess with our new definition of sleeper vs. crossover, I would define *Smoke Signals* as more of a crossover."

(The Baltimore Sun)



Cameron Diaz starred in last year's sleeper 'My Best Friend's Wedding,' and in this summer's 'There's Something About Mary.'

NEWS

of the muse

Yavin returns to Channel 1 tonight

After a year's absence, Chaim Yavin returns tonight at 9 to Channel 1's news program *Mabat*, following a labor court's refusal to block his personal contract that stipulates a monthly salary of \$16,000. According to Channel 1 sources, a chilly reception it is expected for Yavin at *Mabat*. Meanwhile, Gula Even, who kept Yavin's *Mabat* seat warm, makes her debut as host of Educational TV's *A New Evening* at 5 this evening. *Jerusalem Post staff*



Chaim Yavin

The end of 'Zehu Zeh'

After 21 years of *Zehu Zeh*, the TV satire's three stars — Moni Moshinov, Avi Kushner and Dubileh Glickman — are expected to announce their joint resignation this week. The three cite exhaustion as the reason for their decision. *Jerusalem Post staff*

'Sundance' shot down in monopoly bid

The Sundance Kid doesn't have a monopoly on the name. Robert Redford, who played the outlaw in *Butch Cassidy and the Sundance Kid* and uses the name on his Utah-based Sundance Enterprises, Sundance Film Festival and Sundance Institute, plans to start a chain of Sundance movie theaters, with one of them to be in Fort Worth, Texas.

But theaters owned by Ed Bass already are named Sundance — so Redford's attorneys wrote to him, saying they wanted the name Sundance removed.

Bass and his brothers, who are developers, took Redford to court, claiming they had used the Sundance name in Texas since at least 1981. Redford started his Sundance Institute in 1980.

Under an agreement approved last week, the Bass brothers can use the Sundance name on movie theaters in 13 counties in Texas and Oklahoma, including the Fort Worth area. Redford can use it anywhere else. (AP)

Van Damme's brush with death

It came just over a year ago while Claude Van Damme was out of his mind on cocaine, pacing back and forth in a Hong Kong hotel suite like a caged animal.

"I was in the room, I wrote on the back of a script my problems, my complexes, my fears. I wrote with that coke, like, 80 pages," Van Damme says in the September 4 *Entertainment Weekly*.

"I wrote and I wrote, and I almost passed out. Then I was in the corner of the room. I was dying. I saw my body on the floor. I felt cold, I felt hot, I felt scared. I didn't feel like a man or a woman."

"And then I just came back into that envelope, that body, with that soul, and I said, 'I'm not ready.' I know what's death after life."

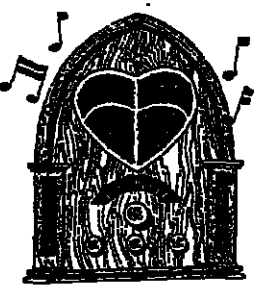
Van Damme, 37, who has since been diagnosed with manic depression, says he started doing cocaine in 1993 while making *Sudden Death*. He entered a drug rehabilitation center in 1996 but dropped out of the month-long program after a week.

After the Hong Kong hotel incident, the Belgian star of the upcoming film *Knockoff* quit cocaine and now receives medication for manic depression.

"I don't feel the change (on medication)," he says. "Maybe I feel 5 percent, but I see the difference in me in the people around me." (AP)

Ringo goes 'Walkin'

In Tune



By David Brinn

Ringo Starr's *Vertical Man* captures the exuberance and fun of Beatlemania better than nearly any other solo disc by an ex-moptop. Which is not to say that it's a great collection of

VERTICAL MAN
Ringo Starr
(Helicon)

BEAUTIFUL MALADIES
Tom Waits
(Helicon)



"My occupation is syncopation, and when I hit 'em, well it saves my life," sings former Beatle Ringo Starr.

songs. But Ringo's good-natured likability, along with the slew of rock professionals that surround him, contribute to an upbeat, relaxed disc that is sure to bring a smile to Beatles fans of all ages.

Teaming up with hitmaker Mark Hudson, one-third of the famed 1970s Saturday morning kids' show trio The Hudson Brothers, Ringo never overshoots his modest talent as a singer and songwriter. His contributions to The Beatles were always lighthearted novelties, and he seems to know his limits.

But the good news is that one of rock's great drummers is behind the kit for every song, save one. No fills, but steady and sure, Ringo sounds thrilled to be rocking out again. As he sings in the delightful "I Was Walkin'": "My occupation is syncopation, and when I hit 'em, well it saves my life."

After floundering in a sea of alcohol in the post-Beatles '70s and hitting rock bottom in the 1980s, Ringo made an impressive resurgence this decade, releasing an unassuming 1992 gem *Time Takes Time*, and making yearly tours with a rotating crew of 1970s survivors pegged Ringo's *All-Star Band*.

On *Vertical Man*, Ringo's distinctive voice fits the happy, ringing guitar sound that most of the songs are built upon. Guest stars include ex-Beatle, bassist Paul McCartney

and George Harrison — making each song a rock trivia game.

One of the all-star highlights is a remake of the ultimate rock 'n' roll appreciation song, "Drift Away," popularized by Dobie Gray and performed in an endearing version with a little help from friends Tom Petty, Alanis Morissette, and a surprising guest drum appearance by Aerosmith vocalist Steven Tyler.

If oldies like "Back Off Boogaloo" and "It Don't Come Easy" still bring smiles to your face, then *Vertical Man* will turn those smiles into laughter. When Ringo acts naturally, he's still fab.

TOM WAITS was always way too cool to be fab. *Beautiful Maladies* — The Island Years chronicles his 10-year tenure at Island Records, with the 23 songs chosen and sequenced by the gravelly-voiced bard himself.

By the time Waits had signed on to Island in 1983, he had all but abandoned the traditional sung verse developed during his Elektra/Asylum period. Fueled by alcohol and living on the seedy side, he began composing, in the words of one writer, "forgotten diaries left in the cabinet of an empty house next to a bottle of

bourbon." His voice, destroyed from a steady diet of booze and cigarettes, perfectly fit the raves, stomps, shanties and occasional ragged lullabies that make up *Beautiful Maladies*. But they aren't easy to listen to.

Waits had also abandoned his long-standing piano accompaniment and amassed an array of carnival-like instruments that matched theideshow quality of his material — calliopes, pump organ, bowed saw, accordion and parade drums are just a few of atmosphere enhancing elements.

Even in the depths of his stream-of-consciousness shards of barbed wire, Waits created some poignant melodies, and he never lost his radio-friendly ear — witness "Downtown Train" which made the charts later with Rod Stewart.

More recently, he developed a taste for theater, represented here by the biting satire of "Frank's Wild Years."

No matter the direction, Waits has remained a true original in a sea of conformity. While silent for the last few years, undoubtedly we'll eventually hear again the music that's best described as "a beautiful train wreck."

An Irishman focuses on humor in Beethoven

By MAXIM REIDER

The winners of the performance prizes, Alexey Hevelov of Russia, Hama Rinko of Japan and the Israeli Renana Gutman played at the concluding gala concert of the Tel Hai Summer International Piano Master Classes at the Tel Aviv Museum on August 15.

After the intermission, the renowned Irish pianist John O'Connor, in his long overdue Israeli debut, captivated the audience with the singing sound of his instrument, and his impeccable sense of style, elegance and wit.

O'Connor, the director of the Royal Irish Academy of Music, is a new — and always smiling — face in the international faculty of this course, held annually in Upper Galilee.

This experienced tutor makes magic with his students, bringing clarity and musical depth to their playing.

During a short break between individual lessons in the new Clure Music Center, O'Connor explained that his teaching is "very much

like passing oral tradition — in the same way as religion is passed from parents to children, or national feeling or sense of morality. The traditions of 19th-century music today are still alive through the students of the great masters and we have to pass this universal language to the new generation. What you are teaching is sound, style, and love."

O'Connor adamantly believes that the performer has to understand the composer's personality. "I've read tons of books about Beethoven and I still cannot get enough," he said.

"There is a lot of humor in Beethoven's music, and believe me I say it not because as an Irishman I see fun in everything; you just have to look at his music."

Growing year after year both in quality and number, the Tel Hai master classes this time included about 60 students from Israel and all over the world.

Says Uki Ovaskainen (22) from the Royal Danish Academy of Music, who returned to the course for the second time: "I've come to study with two great teachers, Yehli Wagman and Pinna Salzman. I

noticed that I feel the same way about most of the things they are talking about, but they just help me to find it out."

Gaining international acclaim, the Tel Hai master class this year hosted two guests from Russia. Music critic and film director Andrey Zolotov from the Moscow Academy of Arts presented "Homage to Sviatoslav Richter" and demonstrated his documentaries, giving the students a rare insight into the world of one of the greatest pianists of our time, who died a year ago. "Homage" to Richter's teacher Heinrich Neuhaus is planned for next year.

Another guest was Ivetta Voronova from the solid "New Names" foundation, which has been nurturing young and promising Russian artists for several years, who said she succeeded in developing contacts with her Israeli colleagues. Now advocate Michael Caspi, the head of the RINA association, which supports the Tel Hai master classes, has traveled to Moscow to pursue joint plans, such as both foundations' alumni joint concerts in Europe and others.

British dames Diana Rigg and Judi Dench return to London stage

By MATT WOLF

The play promises once again to be the thing in the London theater this fall, following a season dominated by lackluster musicals.

Adding their unique luster will be two ever-popular British Dames — Diana Rigg and Judi Dench — alongside a TV heroine, the singular Helen Mirren of *Prime Suspect* fame, playing Shakespeare's Queen of the Nile in *Antony and Cleopatra* for the third time.

Before all that, Nicole Kidman makes her London stage debut in a play about sex, while New York theater veteran Mary Louise Wilson crosses the Atlantic to reprise her award-winning performance as fashion czar Diana Vreeland.

Throw in the return to the stage of Scottish actor Ewan McGregor (*Trainspotting*) and the world premiere of American dramatist Edward Albee's new play, and the

line-up promises something for everyone — including *Boogie Nights*, a British musical set in 1977 and intended for unreconstructed disco groups.

Albee's *The Play About the Baby* kicks off the season September 1, running through October 10 at north London's Almeida Theater.

Those connected with the play were wary of hyping it too much, beyond noting that it's of a piece with the distinguished dramatist's other works, including *Who's Afraid of Virginia Woolf?* and his recent Pulitzer Prize-winner, *Three Tall Women*. "It's mysterious, witty. It's in two halves — that's all I think I should say," Jonathan Kent, the Almeida's co-artistic director, said of the new play, which stars Frances de la Tour and Alan Howard.

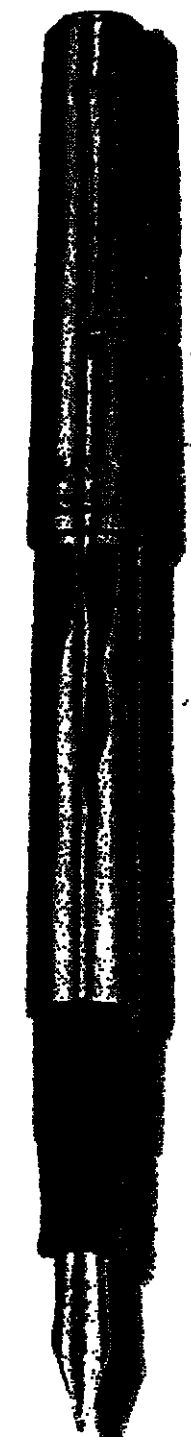
Kent is busy himself directing longtime friend and colleague Diana Rigg — he staged her Tony-winning *Medea* on Broadway in

1994 — in the title role of Racine's *Phedre*. The French neoclassical tragedy, written in 1677 and last acted in the West End by Glenda Jackson in the 1984-85 season, opens September 9 to inaugurate a nine-month Almeida residency at the Albery Theater.

Phedre will be joined in repertory November 4 by an earlier Racine play, the 1669 *Britannicus*, also starring Rigg and Toby Stephens. It will play in a rotating performance schedule through November 28.

Another small theater making a big noise is the Donmar Warehouse, a 251-seat venue that will house Nicole Kidman in the two-character play *The Blue Room*. The director, Sam Mendes, is responsible for Broadway's current Tony-winning revival of *Cabaret*. Adapted by David Hare from Austrian writer Arthur Schnitzler's *La Ronde*, *The Blue Room* opens September 22 for a six-week run through October 31. (AP)

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Order without law

The executions in a Gaza prison on Sunday may have been surrounded by the trappings of a legal process, but they bear a closer resemblance to the shootout at the OK Corral. On October 26, 1881, the Earp brothers and a dentist named Doc Holliday strode into history by gunning down three members of the Ike Clanton gang. The fact that one of the Earp brothers (Virgil, not Wyatt) wore a badge did not really mask the nature of the fight, a blood feud between clans. In the Wild West Bank, the borders between those enforcing the law and those breaking it are similarly blurred.

On Thursday, two brothers, Majdi and Mohammed Khaldi, were gunned down in broad daylight at a wedding by two other brothers, Mohammed and Raed Abu Sultan. All four were members of the Palestinian security forces. On Saturday, five Abu Sultan brothers were convicted and sentenced, two of them to death, two to life in prison, and the fifth to five years in prison. Palestinian courts have handed down over 20 death sentences before, but until now they have always been commuted to life in prison by Palestinian Authority Chairman Yasser Arafat.

This time, Arafat ordered that the death sentences be carried out.

Of course, to even discuss such matters using legal terms, such as "convict," "sentence," and "commute," implies a working legal system. A court system, however, in which death penalties and life sentences are handed out in a matter of minutes, without proper legal representation or any right of appeal, is not worthy of the name.

The fact that the Palestinian public and members of the Palestinian Legislative Council enthusiastically supported the executions only adds to the foreboding atmosphere induced by what amounts to legalized lynching.

As Palestinian human rights activist Bassem Eid put it, "It is shocking and serious that almost the whole Palestinian public supported the punishment and its implementation. We will not be able to improve the situation if the people themselves are silent regarding such human rights abuses."

On a practical level, it is possible to view the executions as Arafat sending a signal that there is a limit to Palestinian Police abuses that will be tolerated. Setting limits regarding publicly gunning people down in personal vendettas,

however, will not protect Palestinians from rape and torture by their own police. According to a report in Sunday's *Ma'ariv*, Palestinians claim that a "common" police intimidation technique is to haul in a man for questioning while another police officer is sent to his home to rape his wife.

Those Palestinians who cheered at justice being served with the recent executions should be concerned: Arbitrary power will be used more for injustice than it will be for justice. Neither should Israelis turn a blind eye in the hope that similar "revolutionary justice" will be unleashed against Hamas.

In case there are doubts on this point, Palestinian cabinet member Ziad Abu Ziyad ruled out executing terrorists, since some consider those who kill Jews to be "freedom fighters." Abu Ziyad's statement in itself is very serious, because it portrays support for terrorism as legitimate, rather than as an anathema to be combated without compromise. By the way, his logic could have been applied just as easily to blood feuds — but the fact that some Palestinians find them legitimate did not stop the PA from taking the strongest measures against policemen engaged in such a feud.

It is a mistake for Israelis — as in Yitzhak Rabin's famous comment that the PA would not be encumbered by a Supreme Court when fighting terrorism — to think that Palestinian lawlessness is in Israel's interest. Aside from the issue of terrorism, the rule of law is a fundamental building block of society.

The American poet Archibald MacLeish wrote that "the business of the law is to make sense of the confusion of what we call human life — to reduce it to order but at the same time to give it possibility, scope, even dignity." Arafat may think he can have order without law, but he, and Israelis who share such a cynical perspective, are mistaken.

Nor should Israelis delude themselves that they can be hermetically sealed off from dictatorship or anarchy at their doorstep. The epidemic of car theft within Israel by Palestinians is just a taste of what Palestinian lawlessness — and Israeli tolerance of it — can mean to Israelis. More fundamentally, peace is a matter of temporary convenience for a lawless dictatorship; a regime that is not at peace with its own people is much less likely to make lasting peace with its neighbors.

Keep fighting

STEPHEN M. FLATOW

Following the horrific terror attacks in Kenya and Tanzania last month, Secretary of State Madeleine Albright said, "The United States will spare no effort and use all means at our disposal to track down and punish the perpetrators of these outrageous acts."

America's position on terrorism has, once again, been clearly stated. Yet, my experience indicates that the opposite takes place and the

the US capital. To our surprise, the US Justice Department has asked the court to block our efforts to seize these assets. While requesting a court-ordered stay of our efforts, the government's lawyers were quick to emphasize that they were not in court representing the government of Iran. But, as was noted by my attorney Steven R. Perles, there were only two parties of the law-

Why should Albright and the State Department step in to protect Iranian interests?

words are followed by inaction or wrong action.

Encouraged by the passage of the Anti-Terrorism and Effective Death Penalty Act of 1996 which, for the first time, subjects state sponsors of terrorism to the jurisdiction of America's courts, our family filed a lawsuit against the Islamic Republic of Iran for its role as the sponsor of the 1995 terrorist attack which took the life of my 20-year-old daughter Alisa.

Five months ago, United States District Court Judge Royce Lamberth agreed with our experts that Iran was the financial sponsor of the attack and awarded our family almost one-quarter of a billion dollars in compensatory and punitive damages.

Now, I find myself in the surreal position of being opposed by the State Department in my attempts to enforce our judgment against Iranian assets located in the United States.

The State Department stepped in on the side of the Iranians when my attorneys asked the United States Marshall's Office in Washington, DC to seize Iranian government real estate located in

suit, and the government's lawyers were not representing my family.

THE GOVERNMENT'S formal request to quash our writs of attachment is over 40 pages long. The government's position is that it must hold up its end of international legal obligations or run the risk that "other countries may not uphold their international obligations which benefit the United States."

Yet, it was the illegal seizure of the US Embassy in Teheran which served as the cause of the breaking of diplomatic relations with Iran. If the Iranians were not then interested in "their international obligations" to protect America's interests, why should Albright and the State Department now step in to protect Iranian interests?

Sadly, framing the decision in our case is a proliferation of news articles and analyses about the warming of relations between Iran — still identified by the State Department as the number one state sponsor of terrorism — and the United States. This is the same Iran which is developing non-conventional weapons capable of

Dry Bones



reaching American forces now serving in the Middle East.

Many will wonder — where will the State Department and the families of those killed in the latest terror attacks go from here? Will the injured and families of those killed at Nairobi and Dar es Salaam eventually find relief and comfort through the United States pursuit of the terrorists responsible for the East Africa attacks?

The posting of a \$2 million reward is a step in the right direction. Time will tell as to the rest. The decision of the administration to oppose our own efforts does not bode well.

On the day President Clinton signed the Anti-Terrorism bill on the White House lawn, he eloquent-

ly recognized the "endurance" and "courage" of the families who have suffered at the hands of terrorists. Mrs. Albright should understand that we will continue to endure and fight against those who harm our children.

Although Alisa is no longer here with me, I am still her father and I have not surrendered my responsibility to bring her killers to justice. It is up to the State Department to prove it is in the fight.

The writer is the father of Alisa Flatow, who died following a terrorist attack in Gaza in 1995. He has obtained a \$247.5 million judgment against the Islamic Republic of Iran for its role in the terrorist attack.

Innocent of incitement

EVELYN GORDON

The police are currently investigating Kach leader Baruch Marzel for calling President Ezer Weizman a spy. Since Marzel's remarks were made publicly, there is no problem of proof, and an indictment for incitement will probably follow quickly.

Incitement is a serious crime, for the simple and obvious reason that words can persuade others to kill. Yet since the assassination of prime minister Yitzhak Rabin three years ago, the police and the prosecution have increasingly been treating offensive but otherwise harmless statements against public figures as incitement. Marzel is a case in point.

Certainly, his statement deserves condemnation. Weizman has been behaving irresponsibly and unrespectably for the past few months, but that hardly makes him a spy. And against the man who was one of the architects of Israel's victory in the Six Day War, such an accusation is not only vulgar, but childishly stupid.

However, stupidity and vulgarity are not usually criminal offenses. According to the Supreme Court, the test of whether something constitutes incitement is whether violence is almost certain to result. This is a combination of the influence of the speaker, the credibility of the statement, its context, and the action the speaker urges others to take.

This is why, for instance, the police were correct to investigate reports that a rabbi had told Yigal Amir that Rabin could be killed under Jewish law. Police found no evidence to support these rumors, but if they had, this would have

been textbook incitement: An influential leader telling a devoted follower that someone's known actions warranted death.

This is also why Israel correctly accuses imams who call on worshippers to kill Jews during mosque services of incitement. They are leaders with considerable influence who openly urge congregants to violence. Hadash MK Saleh Saleem's statement that he could

murder and said he was glad the prime minister had been killed. Balhassan was tried and convicted of incitement. Yet who could possibly have been persuaded to go out and kill by the approval of a man they had never even heard of?

THE fact that people are unjustly investigated and tried for incitement has grave consequences for society, far beyond the violation of individuals' rights. First, it wastes valuable police and prosecution time. This is a non-trivial issue in a country where the crime rate is rising rapidly: Crime was up 12.5 percent in the first half compared to the same period last year, with the number of serious crimes hitting an all-time high of 4,492. Everyone would benefit if the police spent

more time catching criminals and less going after straw men.

Second, extensive prosecution for incitement drives criticism underground, which is the most dangerous place for it to be. It is no accident that the loudmouths of Kach have never gone beyond petty crime, while the murderers were previously unknown to the public. In the case of both Amir and Goldstein, the feeling that no one would hear their screams was partly responsible for their replacing words with bullets.

It is understandable for a man whose neighbor has just been murdered, as Marzel's was last week, to be upset. It is far better for this unhappiness to be worked off in crude but harmless insults than in actions.

Instead, such insults generate public hysteria and demands for prosecution, for one reason: the myth that incitement caused Rabin's death. Yet after an exhaustive investigation, then attorney-general Michael Ben-Yair concluded the opposite. "The person who killed the prime minister did not do so under the influence of incitement," he told a press conference in December 1995. "He acted due to a complete worldview which he had developed."

It is time for Israeli society and especially the Left, which has relentlessly perpetuated it to let go of this myth. The crime of incitement should be returned to its previous necessary, but limited, function. Incitement run rampant is dangerous but prosecution for incitement run rampant is no less so.

Marzel did call Weizman a spy. But stupidity and vulgarity are not usually criminal offenses

not understand why Arabs stopped killing people who sell land to Jews (for which police recommended charging him, though the attorney-general has not yet done so) is a similar example. Again, an influential figure was openly urging murder on account of verifiable actions.

On none of these grounds, however, does Marzel's statement qualify as incitement. Far from being an influential leader, he is a fringe figure with few followers none of whom, incidentally, have a record of more than petty crime and verbal abuse of public figures.

The real killers of the right wing — the Yigal Amirs, the Baruch Goldsteins have not been the petty thugs of Kach; they have been the poster-boys with the spotless records.

murder and said he was glad the prime minister had been killed. Balhassan was tried and convicted of incitement. Yet who could possibly have been persuaded to go out and kill by the approval of a man they had never even heard of?

THE fact that people are unjustly investigated and tried for incitement has grave consequences for society, far beyond the violation of individuals' rights. First, it wastes valuable police and prosecution time. This is a non-trivial issue in a country where the crime rate is rising rapidly: Crime was up 12.5 percent in the first half compared to the same period last year, with the number of serious crimes hitting an all-time high of 4,492. Everyone would benefit if the police spent

WORLD order was at one time a slogan for general American

A world full of unruly actors

STEPHEN S. ROSENFELD

What is for President Clinton a political crisis of the first order is for much of the rest of the world cause for an anxiety attack of the second order. The scandal here in Washington surrounding Clinton threatens his political composure and even his survival. But the reaction of many abroad — or at least of the great number who wish us well — is too an event of worry and consequence but not of do-or-die dimensions.

The possibility that those who think ill of us may attempt somehow to exploit the distractions weighing on us an attitude of vigilance. But otherwise the international response to his troubles — a response of general yet unfettered concern — is a tribute to the continuing centrality of the United States in the overall scheme of things and to the broad confidence in American stability.

Many others count on American engagement and constancy. They fret when the United States seems to be taking a holiday from international duty to indulge what they see as its unenvying moralistic preoccupation. They are hoping that under one president or another — it doesn't particularly matter who — Americans will expeditiously find their way back to business as usual.

Business as usual means getting along, at the most taking initiatives, at the least muddling

through, but taking a part and working with friends and allies.

Business as usual on the American side involves "hand-dling" things not exactly solving problems, which may not be soluble in any immediate or firm sense, but staying current with them, trying to avoid surprise and collapse. When people talk of how the administration is doing, this is

twirl of the globe suffices to illustrate that the relative discipline that was possible in the Cold War period is no more. The Soviet factor, involving generation of some real and some imagined threats to American global presence, has simply gone puff.

WORLD order was at one time a slogan for general American

The relative discipline that was possible in the Cold War period is no more

what many of them have in the back of their minds. But that's not all. A period of nervousness and frustration like the current one brings us face to face with a fundamental contradiction built into the post-Cold War American political structure.

The principal foreign-policy requirement bearing on us, I would say, is to live with the raggedness of a world scene teeming with unruly actors. Their company includes wayward individuals and groups as well as organized states that may or may not be amenable to the international rules.

We can do something to inhibit the troublemaking of these entities, and we must. But a simple

intervention and responsibility. It was too ambitious and fell by the side of the Vietnam road. George Bush, flush with success in the Gulf War, broached the notion of a post-Cold War "new world order." It was a non-starter. World disorder is now not so much a slogan — a political appeal — as a simple description of a harsh reality.

What is now emerging is a range of local, autonomous and self-generating challenges that are so far only feebly grasped. For instance, can cross-border terrorism, drugs and international crime be whipped? Is nonproliferation a lost cause? Is globalization thinning state power and responsibility, creating not only wealth but

chaos and indifference to our dependent communities?

Even as the United States is pressed to accept restraints on its national freedom of action, however — here is the contradiction — it must deal with the strong nationalistic streak in its own political culture.

This is not something to apologize for. Our nationalism is America-centered but comes with a strong idealistic and altruistic component. Our judgment can falter, but, I believe, our heart is purer than most. The Clinton administration has made the long trek from "assertive multilateralism" to the "indispensable" country — from a lesser form of nationalistic expression to a greater one.

The trouble comes when American nationalism, with its global and activist bias, meets resistance on hostile or inhospitable international terrain. Calls for "leadership" come readily to American lips, first of all perhaps in situations where others are reluctant to be led at the pace and in the direction that Americans feel urgent.

In Iraq right now we can see an important test case ripening. A pull to go it alone competes with neo-isolationism and multilateralism to shape American policy. It is not the end of the world, but no prudent person can avoid worrying plenty about it.

(Washington Post)

LETTERS TO THE EDITOR

UNWORTHY PANEGYRIC

Sir, — Helen Schary Motro's hymn of praise to King Hussein "Your finest hour" (August 20) is highly exaggerated, to put it mildly. Though she writes that at Rabin's funeral this benign monarch "filled the place of the brother the slain prime minister did not have," it is well-remembered that it was this same man who launched the unprovoked attack on Israel in 1967 — anticipating a walkover victory —

which killed and maimed numerous civilians on Jerusalem's streets, as well as the soldiers under the command of "his brother," chief of staff Yitzhak Rabin.

It is also not forgotten that the Order of the Day to His Majesty's troops in the Six Day War was to kill every man, woman and child in Motza, when — as was expected — it was captured.

So much for the noble qualities

of the little king. It creates "slight" doubt in respect of the sincerity of his royal protestations of grief on the cold-blooded murder of seven little girls by a soldier in his army. Without wishing him ill, (notwithstanding his sterling virtues), may I suggest that Motro reserve her panegyric for someone more worthy.

BEN SHUA

MAJOR INACCURACY

1997 did not "wander over the border onto Jordanian land..." They were there with the knowledge and permission of Jordanian authorities.

Is this inaccuracy another symptom

WASSERSTEIN'S SCATOLOGY

I can find it in many an Internet site as well as almost any Arab daily. His scatology certainly does not belong in a respectable publication.

I read most of your editorial commentators from Yossi Sarid to Jonathan Rosenblum, and while I don't necessarily agree with any or all of them, I find their ideas to be

tom of the syndrome that the victim of terror must be at least partly responsible?

ISAAC TARSHANSKY

Ramat Gan.

CONSUMER AWARENESS

Gush Shalom, along with other peace movements, should open its own store, gradually developing into a nationwide chain.

The store would sell products made by Palestinians, Israeli Arabs and Arabs from other countries. In addition, the store would sell para-

phernalia adorned by the logos and names of the peace movements.

This store, thus, will serve as an appropriate response to the settlers store as well as promote the course of peace.

RAZ JOSEPH

Beersheba.

RELIGIOUS TOLERANCE

August 21).

Religious tolerance does exist in Israel for all religions. What is curbed is the attempts by groups to have recognized practices and sources that deviate

from traditional Judaism as Jewish.

L. BEAME

Jerusalem.

FROM OUR ARCHIVES

65 years ago: On September 1, 1933, *The Palestine Post* reported that there were seven ships anchored outside the Port of Jaffa unable to discharge their cargo. The merchants of Tel Aviv and Jaffa were in distress and complained that despite the overcrowding, the

posts of Port Customs officials on leave had not been filled by substitutes.

50 years ago: On September 1, 1948, *The Palestine Post* reported that despite the agreed-upon truce, Arab shells and mortars fell on all fronts and in Jewish

Jerusalem. The US State Department reprimanded the Czechoslovak Government for allegedly permitting arms and other war materials to be sold and routed through its territory to Israel.

Alexander Zvielli

صوتنا من الامم

Virtual and real worlds mesh at LAN parties

As critics tout dark visions of computers driving people apart, a new phenomenon — cyber-game parties — proves there's nothing like the human touch, P.J. Huffstutter reports

It is a rave unlike any other. The moon hangs warm and fat in Costa Mesa, casting its midsummer light across the roof of a corporate office complex. Inside, Andrea Bruns squeezes through the sweaty chaos, edging past a couple grinding on the impromptu dance floor and the rows of men playing computer games.

Flashing strobes and the glow of dozens of monitors cast psychedelic patterns of light across her pale face.

Every month, Bruns grabs her computer, crams it into her tiny black convertible and heads to the BeatDown, a monthly computer-game party that has hundreds of fans vying for an invitation.

The protocol is simple: Bring cash, a personal computer and the desire to revel for up to 72 hours straight.

"I can't get this off the Internet," said Bruns, 27. "I came for the games. I stayed for the people."

Welcome to the new underground, where computer games rock and twentysomethings rule.

Dubbed a local-area network, or LAN, party — because of the way organizers hook up the crowds' computers — the BeatDown is part of a growing trend changing the way people play.

That such parties even exist is an ironic commentary on today's wired culture. These games originally were designed to allow people to play over vast distances. Now, this same technology compels people to travel vast distances, eagerly hauling their equipment across the nation for face-to-face fun.

AS critics tout dark visions of computers driving people apart, these hard-core gamers prove that communities — even virtual ones — need physical interaction in order to flourish.

As the slogan of the Bay Area Network Gaming Group proclaims, "A scream should be heard, not typed."

"The best game experience is not on the Net, and I think people are starting to realize that," said Cliff Bleszinski, a lead game producer with Epic MegaGames.

"You can't look over at the person you just beat. You can't go out to get a beer afterward. You rarely get to actually talk to the people you're playing against. You may as well be playing against the machine."

Promoted by word of mouth and the Net, hundreds of these gigs are being held in the US and Canada.

No one sleeps at these parties because, they say, sleep is for the weak. Instead, they dance, sing and play computer games for hours on end.

Yet the on-line mask stays firmly in place; no one uses their real name at a LAN party. Here, Bruns forgets her daily life as a computer program manager and becomes "China," a gun-toting, brassy-haired bad girl.

"There is something about the games that brings out the wild child in people," said Darci Rose Pierce, director of production for MGM Online.

"It's the anonymous element of the game play that makes people feel that they can go to the extreme. It's not them at the party. It's their online persona."

Two things count at all LAN parties — the people and how the computers are configured. A local-area network is simply a collection of computers linked together in one location.

To set up a LAN in a house, users need to install a network interface card in each computer. Cables connect the machines through these cards, which allow the PCs to communicate with each other.

The parties can then be configured in different ways, depending on their size.

SINCE the mid-1990s, millions of players have been flocking to the Internet in search of these games. But as the audience grew, something strange started to happen: People got tired of playing the lone warrior.

Enter the BeatDown, which marked its one-year anniversary in July. It began as an intimate gathering of friends, said founder Mark Surfas.

Word of the Costa Mesa bash spread quickly on the Net, where



The new underground: Andrea Bruns of California, whose online name is 'China,' dances at a recent BeatDown event, a monthly computer-game party.

Web sites such as the LAN Party Ring and House of LAN offer information on the latest network parties.

A recent visit to Blue's News — a site gamers uniformly call the "white pages of the LAN scene" — listed more than 150 scheduled events in the United States and abroad.

"We don't make money doing this," said Surfas, chief executive of software company Critical Mass. "We do this for the love of games and to get people to notice us."

Part computer-game orgy, part all-night rave, LAN parties tend to draw young men in their late teens and 20s.

Some LAN parties, like the S.P.L.A.T. Club in Colorado, are merely a few college guys getting together in an empty classroom to

play games.

Then there's the Manhattan Memorial Marathon, a festival that drew more than 300 people to New York. The free, three-day party turned a 20,000-square-foot warehouse into a new-media slaughterhouse.

The BeatDown crew hails from all over the country — New York, Seattle, San Francisco. More than 400 people try each month for 75 coveted BeatDown invitations — the maximum number of PCs that can be linked together at the party.

Some players spend their downtime swapping software. Demos are coveted, as are beta versions and import games.

Take "Thrill Kill" by Paradox Development, where mutant characters battle one another in gruesome detail.

An employee from Virgin Interactive Entertainment, the game's distributor, nervously watches the crowd hovering around the screen. His eyes flick between the players and the tiny black console that houses the disk.

The young man, who declines to give his name, insists no one touch the device.

"Do you know how easy it would be to make a copy?" the Virgin staffer asked. "No way that can happen. I'd lose my job."

GAME makers say they are willing to take that risk, because these parties offer key opportunities to gather market research and find talent.

Like record executives scouting for new acts in barrooms, a growing number of computer develop-

ers are trolling through LAN parties in search of people who can play their games — and make them better.

"The gaming industry is so competitive that any feedback you can get from your core audience helps," Bleszinski said. "Which would you rather use as a test group: a bunch of faceless players who only communicate by e-mail, or a bunch of living, cheering people?"

Like the extreme nature of the games they play, these young people often adopt aggressive, mysterious or hyper-masculine personas online.

Men aren't guys, they are "Hell's Caretakers" and "Overlords of the Universe." Women aren't gals, they're "Crackwhores" and "Lady Quake Marines."

Such relative anonymity is freeing because "you can look however you want [and] act however you want because no one knows who you really are or where you work," said Thomas Crenshaw, 30, who hosts LAN parties in San Diego.

Glimpses of reality eventually do peek through, said Stacy Horn, author of *Cyberville: Click, Culture and the Creation of an Online Town*. In game groups, as with most online communities, people cannot completely hide their true personality traits.

"Over time, people can't help but be themselves," Horn said. "You can role-play as much as you want. The games and the cartoonish personas can't hide the real you forever."

(Los Angeles Times)



No longer need fame be the preserve of the powerful and beautiful: Now anyone online can access Jennifer Ringley's home page and watch her kissing, eating and otherwise living her rather ordinary life.

There's no place like a home page

Jennifer Ringley is famous. Not because she can sing, dance or write well. She is famous just for being herself — and for using her personal homepage to show millions of Web surfers what her rather ordinary life is all about.

"I am not saying that I am the most interesting person in the world," she freely admits. At <http://www.jennican.org>, we can watch Jennifer pluck her eyebrows, entertain guests or read her e-mail, thanks to a digital camera that records her life.

Jennifer Ringley is only one of millions of Americans who use the World Wide Web to present themselves online.

Once upon a time, only the famous, powerful and beautiful few had a chance to become well known. Historians and journalists wrote about them — average types were usually not considered noteworthy.

But this has changed. It is now possible even for people without any great knowledge about computers to reach the world inexpensively. They can use the Web to portray their daily lives or special events such as weddings.

"After screaming, crying, begging, blackmailing," Caren convinced her husband Jon to have a

white wedding. She then proceeded to tell the world about it at <http://members.tripod.com/CarenSF/index.html>.

Caren explains her urge to give detailed descriptions of the wedding program: "This page is the bride's (my) attempt to feel that she has accomplished something."

Her husband Jon is also allotted some space on his wife's homepage. In it, he describes how he made Caren fall in love with him: "I pulled out... a photo of me, clean-shaven and holding my then six-day-old nephew." Caren took advantage of a tempting offer to post these and other details on the Web. A company called Tripod offers its members help with building a personal homepage, and even gives them free space on its main servers.

In return, all members have to

do is allow Tripod to place advertising banners on their personal homepages.

Competitors like GeoCities use the same approach. On top of the simple page-building programs offered for free, members of these services can also purchase sophisticated products like Microsoft's Frontpage.

While HTML is the basic programming language of the Web, the popular Frontpage software can even be used by people who have no knowledge of HTML at all.

"I built this page to introduce myself to you," is the somewhat formal way the Californian pilot Philip Clument chose to introduce himself in a virtual job application to anyone who happens to visit <http://www.geocities.com/CapeCanaveral/hangar2903>.

Clument lists his education, experience and even a letter of recommendation from a previous employer, who praises the pilot's reliability.

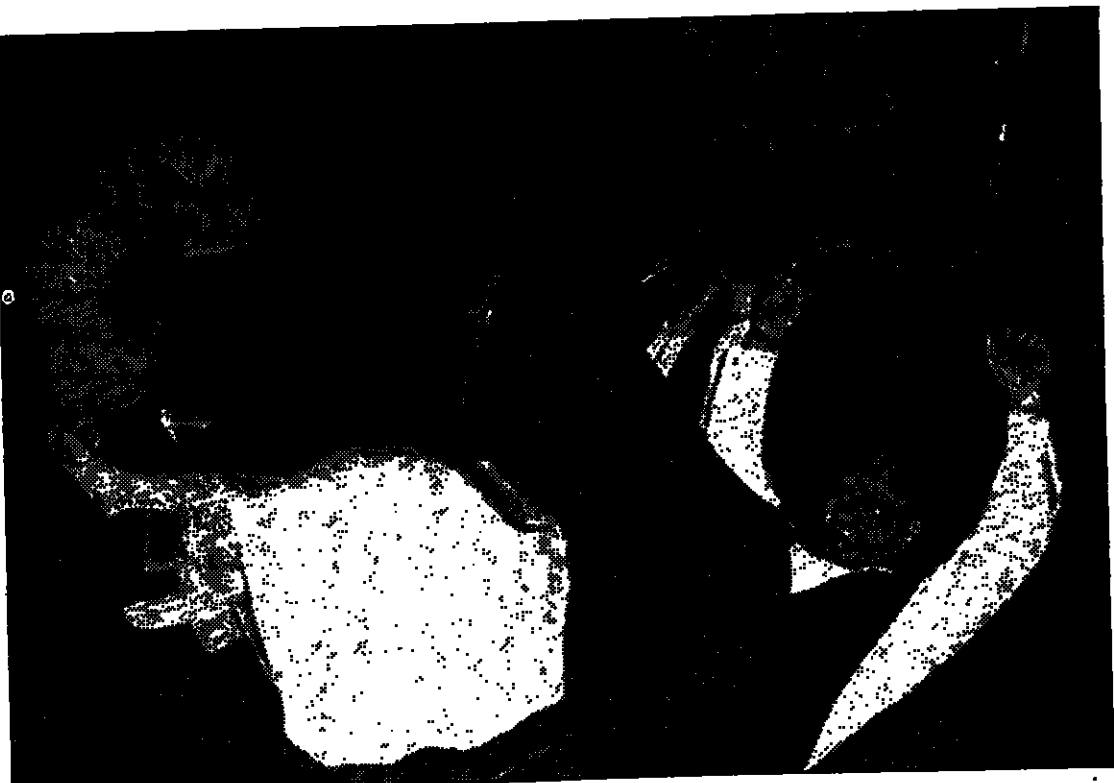
Building sophisticated and appealing homepages like this is easy.

The online service AOL has convinced millions of its members about that. Vickie Barnes used the opportunity to talk about the birth of her daughter, Jennifer Nicole.

"She shot out like an Olympic swimmer," the proud mother reports at <http://members.aol.com/sgbandvb/home.htm>. At this address, she presents pictures of her newborn daughter and also provides links to a virtual "pregnancy circle," where mothers share birth stories.

In June, a mother in Orlando, Florida, even had the birth of her third child shown live on the Internet with the help of the media company America's Health Network (AHN).

AHN uses its website <http://www.ahn.com> to broadcast medical procedures worldwide, and there is no shortage of US volunteers, who are willing to have live images of their open-heart surgery sent around the globe.



Caren didn't want her wedding to be a private affair, so she used her home page to show the world how, above, she got down on the floor with new husband Jon and did 'the worm' and, below, snatched a quick kiss before cutting the (kosher) bridal cake.

Homepage owners see themselves as digital "homesteaders" on the Internet, a flattering term coined by GeoCities. The space occupied by these virtual settlers is often filled with extremely detailed descriptions of the mundane — the boom in personal homepages has given birth to a unique Internet phenomenon, the public diary. At <http://www.geocities.com/Athens/5277>, Charles Wolff has published Charles's Daily Web, a collection of daily entries covering a full year. We learn that on April 6, 1997 the Wolff family enjoyed cinnamon apples for dessert. On June 14, 1997, Charles shaved off his beard, much to the delight of his wife Sheryl.

Diane Patterson uses her homepage at <http://www.spies.com/diane/diary> to give out writing tips to online diarists.

Her own entries are sometimes written in the form of letters. One relates to a dream she had on July 18, 1996, which is now published worldwide.

The dream was about a teacher who slept with all of Diane's classmates except her. Private memories like this can spice up a diary considerably, the author knows.

Only an honest diary is a good

diary, Diane Patterson maintains. She says readers will visit a homepage again and again if the private recollections published there are "wild, neurotic, sexy, full of drugs."

(DPA)





The cat's meow: Gayle Brennan and Mike Drysdale's living room is crammed with Garfield figures, Garfield lamps and Garfield posters.

(Los Angeles Times)

Going gaga over Garfield

A California couple's gone purrfectly crazy over the tubby cartoon tabby, as Bob Pool reports

To one group of funny pages fans, the home of Gayle Brennan and Mike Drysdale is the cat's meow.

From the Garfield doormats in front to the Garfield window shades out back, their residence in Duarte, northeast of Los Angeles, is an orange-tinged shrine to the wisecracking comic-strip cat known for his coffee-guzzling, spider-whacking rude attitude.

Their living room is crammed with Garfield figures, Garfield lamps and Garfield posters. A Garfield cartoon video is showing on the television set beneath the Garfield clock. Tables are lined with Garfield radios and Garfield wind-up toys. Garfield throw-rugs are on the floor, beneath the Garfield banners that hang from the ceiling, and the sofa is covered with a Garfield blanket.

"Everything here is a treasure," said Brennan, gesturing at the room with an arm that bears a Garfield tattoo just above her Garfield wristwatch.

"It's a cheery look," agreed Drysdale, gently rotating one of the Garfield mobiles hanging from the ceiling. "It's relaxing. It relieves stress. You get awed-out just looking at it." Brennan, a

fortysomething assistant parts manager for a car dealership, credits her pet kittens for launching her unusual cartoon cat collection.

Four years ago she purchased a Garfield kitty bed for them to sleep in. The cats took a liking to it — and so did she. And the next thing she knew, nearly everything she was buying seemed to have the tubby cartoon tabby's image on it.

Soon, a gaudy laminated Garfield purchased at a shop in Las Vegas was hanging on the wall near the front door. A human-size stuffed-silk Garfield was sitting in a wicker chair in the corner. Garfield beer steins and coffee cups were popping up on tables and shelves.

"It just festered and festered. The collection started rolling and didn't stop," said Drysdale, 39, an insurance broker.

These days their bathroom is outfitted with Garfield towels. Garfield toothbrushes, Garfield soaps and Garfield shampoo.

Along with Garfield scrub brushes, Garfield bandages and a Garfield toilet seat cover.

In the kitchen — next to the refrigerator covered with Garfield magnets and topped with Garfield lunch boxes — there are Garfield cookbooks, Garfield stirring spoons, Garfield spice jars, several bags of Garfield tortilla chips, Garfield cookie jars, a Garfield paper cup dispenser, a Garfield toothpick holder, Garfield drinking straw dispenser, Garfield gum ball container and Garfield pet food storage jars.

Food is served on Garfield plates set out on Garfield place mats on a dining room table covered with a Garfield tablecloth. Table settings include Garfield bowls and water glasses. Nearby are 100 Garfield coffee mugs hanging from hooks. Dangling above the dining area are Garfield puppets, along with figures of Garfield comic strip characters Odie and Pooky. Every wall is filled with Garfield pictures, drawings and shadow-

boxes stuffed with Garfield figures and toys.

Visitors encountering the house for the first time break into wide smiles. After their jaws have dropped, of course.

"You can get a quick read on someone's personality by watching to see how they react," said Drysdale.

"I've had Blue Cross reps freak out when they stopped by here to drop off insurance proposals to me. I have to give an explanation," he said.

Mike Nelson, a bowling alley employee whose insurance is handled by Drysdale, said he left the couple's home in shock after he dropped in.

"You can't begin to explain what they have to other people. I just say if you want a weird experience, go to their house," Nelson said.

Brennan said her brother "thinks I'm a nut" for filling the house with Garfields. "But at least everyone in the family

knows what to give me for Christmas and for my birthday," Brennan and Drysdale prattle on week-ends looking for new Garfield items. They look for bargains: They calculate they have spent several thousand dollars on their estimated 3,000 Garfield items.

But they have more things like Garfield bedroom slippers (20 pairs), Garfield clocks (27 wind-up and digital versions), framed Garfield baseball cards (40) and Garfield Christmas tree ornaments (50) than room to display them. So they're thinking about moving to a larger house.

"We've never sold anything. Oh, no," said Brennan. "I've given a few duplicate things to kids in the neighborhood. But this is all for us." That sort of attitude is appreciated by cartoonist Jim Davis, who created the Garfield strip 20 years ago. His comic strip appears in approximately 2,600 daily newspapers in 111 countries, and Davis licenses Garfield merchandise from his Indiana headquarters. "To those who would say collecting Garfield stuff is a bad habit, I'd say there are a lot worse habits to have," Davis said.

(Los Angeles Times)

municipal elections.

GRAPEVINE

By GREER FAY CASHMAN

As banquets go, no one does them quite like Aish HaTorah. The educational outreach organization knows how to successfully combine Hollywood-style hype with eloquence and schmaltz, giving even the most hard-headed business executives a kvetch in the right place. Last week's banquet at the Knesset by the Jerusalem Fund of Aish HaTorah was no exception. In addition to honoring a large group of North American Jewish entrepreneurs who have shared their millions with community causes at home and in Israel, Aish HaTorah also presented the Friends of Zion award to four distinguished non-Jews, three of whom were women: former British prime minister Margaret Thatcher, New Jersey Governor Christine Todd Whitman, America's former ambassador to the UN Dr. Jeane Kirkpatrick and US Senator Joseph R. Biden Jr.

On hand to present the awards was Prime Minister Binyamin Netanyahu, speaking without notes. He waxed lyrical for the best part of an hour on the historic intricacies of the Chagall tapestry, the capabilities, initiative and enterprise of the first group of honorees, and the admirable qualities and achievements of each of the Friends of Zion Laureates. Of course he didn't forget to spice his speech with politics, promising that "between now and the year

JERUSALEM mayor Ehud Olmert may experience a little discomfort on account of his former campaign director, Justice Minister Tzahi Hanegbi, who is fielding a non-partisan list in the city council elections, is seriously contemplating putting together a rival Likud list. Not that Olmert has excluded his party cronies: His list does include Likud members — but only in third, sixth and eighth places. Still, Olmert shouldn't worry too much. He still has Likud support in his race for mayor.

DIFFERENT strokes for different folks. American visitors to Jerusalem who saw the campaign posters for Shimon Shetret, who heads the One Jerusalem list, said that in the US he would be doomed before he started, because of his stiff-upper-lip smile. In America, they explained, you've got to show teeth to succeed.

IN Ra'anana, Mayor Zeev Bielski delighted his constituents by waltzing New Jersey Governor Christine Todd Whitman around the park at the inaugural concert of the Lev Hapark Amphitheater. This is the second time the two have danced together in front of thousands of spectators to the music of the Ra'anana Symphonette Orchestra. The gov-



Waltzing in the park: Ra'anana Mayor Zeev Bielski holds New Jersey Governor Christine Todd Whitman.

(Mayer Kir)

Torn between two women

Dear Ruthie, I have been married for 25 years to a woman I love very much. She is not only the best mother I could have hoped for my children, but she is in many ways my best friend. She is loving, hard-working and reliable. And I never once thought of divorce throughout our entire marriage — even when times were rough. However, there is one thing severely lacking in our marriage, and that is physical compatibility. Our intimate relations were never really satisfying to me, but I hoped that, in time, we would learn from and teach each other how to please one another. This fantasy of mine never became a reality, due to my wife's discomfort with the whole subject.

During 24 out of the 25 years that we have been married, not only did I never cheat on my wife with another woman, I didn't even consider doing so. I am someone who has always had high moral values and standards, and adultery was (and still is) horrifying to me.

This is why I am in such a terrible state

right now. Several months ago I began to work closely with a woman on a project, and something happened to me which has never happened before. I became uncontrollably aroused when in her company. She is very attractive, and she is also interesting and fun to be with. And then the "unthinkable" became the "thinkable." And the taboo was broken.

I found myself waiting anxiously for my meetings with this woman. Yet, at the same time, I felt terrible toward my wife, whom I didn't cease loving and caring for. I felt miserable about the affair, and even more miserable that I was lying to her all of the time.

So finally I decided to come clean and tell my wife about what I had been doing and to beg her forgiveness. When I did, she was devastated. I promised never to see that other woman again.

But I have not been able to keep my promise. Now, if I tell my wife, she will leave me and this is something I wish to prevent at all costs. But I am unable to resist this other woman, who is also suffering from this situation. I know that the right thing to do is break it off, but I just can't seem to do it. I know that this sounds like wanting to have my cake and eat it too, but I wish that it were so simple. Please help me.

Dear Ruthie



Ruthie Blum

Dear Love-Tom, Your problem may not be easy, but it is simple. The desire which was awakened in you after many years of a lustless — although otherwise happy — existence became something you could no longer ignore, once you got a taste of it. This is as understandable as it is tragic for someone who wishes to stay married.

Whichever way you look at it, however,

you must make a choice, unless you intend to continue lying to your wife and disappointing your lover. But even opting to remain in limbo is a choice.

What you are really asking is how you can have all of this without forfeiting anything else, while remaining a person with "high moral values and standards." I'm sorry to break it to you, but something in the list has got to go.

Before attempting to make an actual choice, you might ask yourself honestly whether you are hoping that one or the other (if not both) of the women in your life will make your choices for you. If you continue to lie and your wife finds out about it, for example, she is likely to do just that.

Keep in mind, however, that the failure to take responsibility for our own choices, too, has consequences.

Letters should be addressed to: 'Dear Ruthie,' POB 81, Jerusalem 91000. For e-mail: ruthie@jpost.co.il ('Dear Ruthie' also appears in *In Jerusalem* and in *City Lights on Fridays*.)

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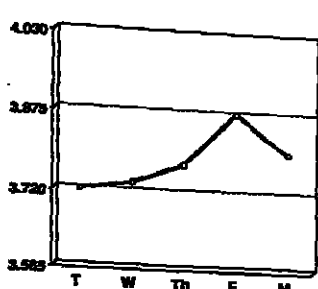
BUSINESS & FINANCE

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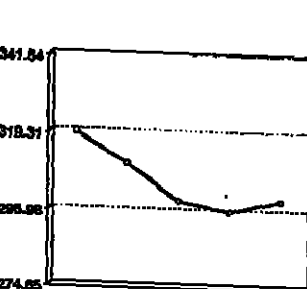
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in brief

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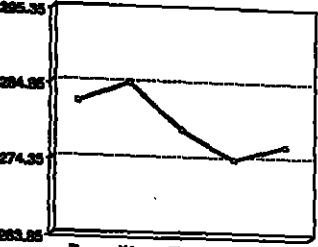


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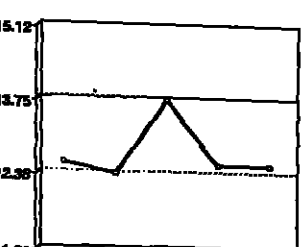
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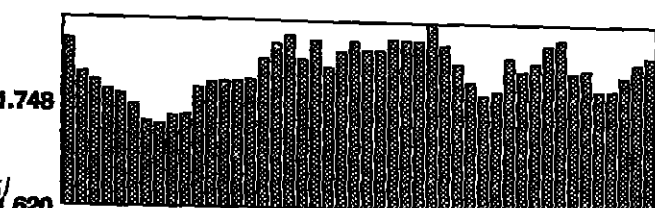


OIL

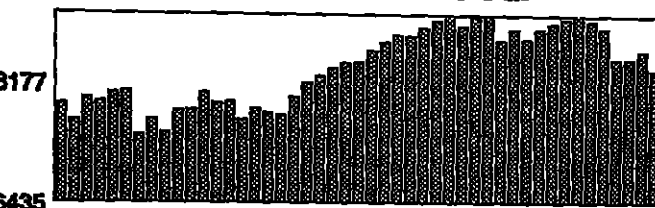
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Import and export prices continue to decline

Prices of imported commodities continued to decline in the second quarter of the year, according to the foreign trade price indices the Central Bureau of Statistics published yesterday. The price of imports, excluding diamonds and oil, decreased 0.4 percent in the second quarter of the year following a 1.8% decline in the first quarter.

Prices of exported goods also fell; the CBS attributed the decline to a 14.6% seasonal decrease in the price of agricultural exports. Industrial exports, which are some 95% of all exports excluding diamonds, decreased 0.9% after falling 1.1% in the first quarter. The sharpest decline was in prices of machinery and equipment, rubber and plastics and textile and clothing. *Dan Gerstenfeld*

Di Rom to invest \$80m. in Poland

Israeli real estate company Di Rom Building Investment and Development yesterday announced that it has won, together with a foreign company, a tender to purchase 50 dunams in Warsaw. The two companies plan to invest some \$50 million in the project, which will include the building of a new neighborhood with commercial areas. The company also purchased another nine dunams in the city, in which it plans to invest some \$30m. Di Rom intends to build 200 housing units and 10,000 square meters of office space. *Dan Gerstenfeld*

High-tech tax benefits to be boosted

The Treasury announced yesterday that it has agreed to increase tax benefits for high-tech companies eligible for capital investment aid which expand their facilities. Under the agreement reached with the Industry and Trade Ministry's Investment Center, the revenue base for tax calculations will be reduced by 10 percent a year, thereby expanding the amount of funds enjoying benefits. The change is to be retroactive to January 1, 1998.

Under the program, companies are tax exempt for two years, and then receive tax breaks for five years. Foreign investors will receive tax breaks for eight years.

In its decision, the Treasury noted that high-tech firms, as opposed to traditional industries, expand to keep up with rapidly changing technology. *Nina Gilbert*

IAI delivers third plane to UPS

Israel Aircraft Industries has delivered a Boeing B747-200 to the world's largest package-delivery firm, United Parcel Service (UPS). The deal, which is estimated to be worth some \$17 million, included transforming the plane from a passenger aircraft into a cargo plane. IAI said that this is the fifth plane which has been transformed and the third one to be delivered to UPS. *Dan Gerstenfeld*

Investment Center approves plans for \$52m.

Thirteen requests for capital investment aid totaling \$52 million were approved by the Industry and Trade Ministry's Investment Center this week. In Bnei Brak, Elisa Electronic Systems, a subsidiary of Tadiran, is to make a \$10.6m. expansion to its facility. Check Point Software Technologies, the Ramat Gan-based maker of Internet security software, is to make a \$4.5m. expansion. Magic Software Enterprises' plan for a \$1.3m. expansion was also approved for aid. In Beit Shemesh, a \$20.88m. investment was approved for Habarzan, a producer of metal wires.

The ministry also approved the transfer of aid for a \$65m. investment by Dead Sea Works for its magnesium plant from the second phase of the project to increase capacity to the first phase of the project. *Nina Gilbert*

1,200 Haifa area businesses close since '97

Since the beginning of 1997, some 1,200 small businesses in the Haifa area have shut down due to the slowdown in the economy, and another 2,000 are having difficulties, the Haifa Area Association of Artisans and Industrialists said.

The businesses included those in electronics, metals, printing, furniture, and food, he said. He said businesses have also been suffering from a wave of break-ins. *Nina Gilbert*

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Leumi, Hapoalim net up; IDB plunges

The country's two largest banks, Leumi and Hapoalim, reported yesterday that second quarter net profits rose despite the economic slowdown, although the rise is mainly an outcome of a decline in provisions for doubtful debts.

At the same time, Israel Discount Bank, which is considered the least efficient bank, reported a 75 percent decline in profitability.

The reports came after the remaining two of the five largest banks, United Mizrahi Bank and the First International Bank of Israel, reported decreases in earnings of 16% and 25% respectively.

Bank Hapoalim, the country's largest financial institution, said that second-quarter net profits rose 31% to NIS 342m. from NIS 261m. a year ago. For the first half, Hapoalim reported an increase of 45% in net profits to NIS 625m. from NIS 598m.

It said that the growth in profits was influenced by a decrease in the provision for doubtful debts, an increase in operating and other income, a reduction in the provision

for taxes, and an increase in net profits from extraordinary transactions.

The growth was somehow offset by a decline in profits from financing activities before the provision for doubtful debts, an increase in operating and other expenses, a provision for the voluntary employee retirement program, and a decrease in the bank's share in profits of affiliated companies.

Net return on equity was 13.4% for the first half, compared to 14.4% in the corresponding period in 1997 and 12.5% for all of 1997.

Hapoalim said that profit from financing activities before provision for doubtful debts decreased 4.1% in the first half to NIS 1.83b, while provision for doubtful debts fell 29.5% to NIS 252m. from NIS 357m.

At the same time, Bank Leumi, the country's second largest bank, reported that second-quarter net profit rose 27.3% to NIS 223.6m. from NIS 175.6m. a year earlier. It added that net profit for the first half plunged 48.1% to NIS 433.4m.

RESULTS

compared with \$34.7 in the corresponding period last year.

It should be noted, however, that in the first half of 1997 net profit surged as an outcome of the sale of the bank's holdings in Africa-Israel and Leumi Insurance Holdings. Excluding this profit the bank's net profit increased 23.6% in the first six months.

The bank attributed the rise to a decline of NIS 162m. in the provisions for doubtful debts, a decline in provision for taxes, an increase of NIS 38.9m. in operating and other income, and an increase in the business activity of the group.

Offsetting profitability were a decline in profits from extraordinary operations, an increase in operating and other expenses, including a provision of NIS 53m. for voluntary retirement of employees, and a net decrease of

NIS 19.4m. in the bank's share in the profits of its subsidiaries.

Net return on equity was 10.3%, compared with 8.9% a year earlier. Leumi warned that following the

entrance of Visa Alpha into the credit card market it expects that profits of Israel Credit Cards, which also supplies Visa cards, will significantly fall.

Meanwhile, Discount Bank said second quarter net profit fell 75% to NIS 17.8m. from NIS 71.2m. Net profit for the first half of the year fell 62.7% to NIS 51.5m. from NIS 138.3m. a year ago.

The bank attributed the decline to a change in the way interest rates are calculated.

Net return on equity was 2.2% in the first half, compared with 6.3% a year earlier and 4.6% for all of 1997.

The bank said that income from financing activities before provision for doubtful debts declined 7.4% to NIS 1.08b. from NIS 1.17b. in the first six months of 1997.

Discount added that the decline was affected by a significant nar-

rowing of financing margins. Provision for doubtful debts rose 22.9% in the first half to NIS 251.4m. from NIS 204.5m.

Bezeq moves into the black
Bezeq Israel Telecom yesterday reported second-quarter net profit of NIS 210m. compared with a net loss of NIS 575.7m. a year earlier. The phone monopoly said that at the same time revenues fell 4.3% to NIS 2.18b.

The decline is mainly attributed to a decline in profitability from the supplying of international phone services following the opening of the market for competition. Excluding income from international services revenues rose by 9.7%.

During the first half of the year, net profit was NIS 342.3m. compared with NIS 423.7m. while revenues decreased 4.4% to NIS 4.39b. from NIS 4.59b. a year earlier.

The company said that profitability was offset by a provision of NIS 670m. for the reorganization plan of the phone company.

Okay given for drilling off Ashkelon

By NINA GILBERT

National Infrastructure Minister Ariel Sharon has issued a concession for an American oil and gas exploration firm, Samedan, and its Israeli partner to start drilling for natural gas off Ashkelon.

In a meeting in Jerusalem Sunday night, Sharon told Samedan vice president Alan Bullington that if natural gas is found in commercial quantities, the government would be involved in deciding how to supply the country and at what price.

Samedan, the Houston, Texas-based subsidiary of Noble Affiliates, is involved in off-shore drilling in the Gulf of Mexico, Latin America, and the North Sea. Samedan and its Israeli partner, Ramat Hasharon-based Avner Oil and Gas Exploration, received a concession for exclusive rights to drill 30 km. off Ashkelon, outside of Israel's territorial waters, but within the limits set by international law for exploiting seabed resources, the ministry said.

The companies said a survey of the 4,000-sq.km. area indicates the presence of gas in commercial quantities, with a potential of 250 billion cubic meters-500 billion cu.m. of gas.

Under the concession, the companies will pay royalties to the government, which is not obligated to buy the gas.

However, "if gas is discovered in commercial quantities, it will be a secure source of supply for Israel, assuming that the price is right," said the ministry spokesman.

The group said the gas could be supplied via an underground pipe, about three years after discovery.



Pilots strike for wage hikes, job security

Northwest Airlines pilots picket the Northwest Terminal at Detroit Metro Airport on Sunday, as their strike finished its second day. Both sides remained away from the bargaining table, with 6,100 pilots out. *(Reuters)*

Neeman: Wage rises would worsen recession

By NINA GILBERT

Wage rises in the public sector will cause the economy to go into a deeper slowdown, Finance Minister Yaakov Neeman said yesterday.

Neeman is to meet this afternoon with Histadrut Chairman Amir Peretz in one last attempt to achieve a breakthrough in stalled talks. The Histadrut said yesterday it would launch a general strike on Thursday if no progress is made.

The strike would affect all government offices, the health system, local authorities, universities and government corporations.

"Real wages cannot be increased now in the public sector. An increase in wages means an increase in the budget deficit, which will result in mass unemployment in Israel," Neeman said. "Members of the government must understand that if there are wage rises the slowdown will get deeper."

"Today we are in a slowdown that has not yet gone out of control. It was primarily caused by the rise in

wages over the past few years, resulting in a ballooning of the state budget deficit," Neeman said.

According to Neeman, between 1993 and 1996 real wages rose by 20 percent in the public sector. These increases now cost the country NIS 8 billion a year, he said.

The Histadrut said yesterday that it would launch a general strike on Thursday, and not tomorrow as previously planned, if progress is not achieved in the meeting this afternoon on both the issues of a wage rise and workers from personnel companies.

The Treasury is offering a 1% real increase, while the Histadrut is demanding an 8% rise and that workers on contract from personnel companies be turned into state employees.

"One percent is absolutely unacceptable. There is nothing to discuss about this proposal," the Histadrut spokesman said.

According to the Histadrut, senior officials in the public sector received a 5.5% wage rise this year.

Economists: Drop in shekel will add 0.8% to '98 CPI

By Jerusalem Post Staff

The recent depreciation of the shekel will result in an annual increase of 0.8 percent in inflation, which will total 4.8% for 1998, according to an assessment by economists at the Federation of Chambers of Commerce.

The economists, who prepared a survey as a result of financial developments in the past few days, estimate that the sharp depreciation of the shekel over the past few days will ease over the next few months, and the shekel will stabilize by the end of the year at NIS 3.8.

GDP growth for 1998 will amount to 1.8%, they said. The depreciation of the shekel will result in consumer price indexes higher than usual for the season. Prices of consumer goods will be hiked after the holiday season,

they said.

Regarding unemployment, the federation predicts that employers will delay the hiring of new workers and the launching of training courses, even with the offer of government aid, due to the economic uncertainty. These factors will make it difficult to reduce unemployment, which the economists expect will be at 9.5% at the end of the year.

The group also expects foreign investors will not hasten to return to local financial markets, even after the shekel stabilizes.

At the same time, the federation does not predict that foreign trade will be affected in the short term by world economic turmoil.

However, it expects that in the fourth quarter of this year and next year, exports will drop by an annual rate of 2% due to a slowdown in world economic activity.

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Building Blocks

By Nina Gilbert

RESIDENTIAL
Tel Aviv and center

■ In Ramat Hasharon, a six-room house on the western side of Rehov Moriah was sold for \$520,000 via Anglo-Saxon. The 200-sq.m. home is in excellent condition and has air-conditioning. The asking price was \$580,000.

On Rehov Hapardes, a four-room apartment with air-conditioning was sold for \$312,000. The asking price for the apartment, on the second floor with an elevator, was \$350,000.

Century 21 also sold a four-room apartment with a patio on the roof for \$360,000. The 120-sq.m. apartment on Rehov Averbuch was recently renovated and is on the third floor in a building which is undergoing renovations, including the addition of an elevator. The asking price was \$380,000.

■ In Kadima, a 200-sq.m. villa on a 400-sq.m. plot of land was rented for \$900 a month via Anglo-Saxon.

A six-room, 180-sq.m. cottage in Tel Mond was rented for \$700 a month.

■ In Ra'anana, a three-room apartment in a luxurious building with a doorman on Rehov Ahuza was sold for \$240,000 via RE/MAX. The agency also sold a four-room apartment on Rehov Akiva for \$208,000. The apartment is on the fourth floor with an elevator.

On Rehov Bar-Ilan, a four-room apartment was sold for \$251,000. The apartment has a porch and an elevator.

■ In Tel Aviv, a one-and-a-half-room apartment on Rehov Ben Moshe, in a quiet area near Yehuda Hamaccabi, was sold for \$145,000 via Century 21. The asking price for the apartment, on the ground floor and in fair condition, was \$155,000.

A three-room apartment on Rehov Epstein in need of renovations was sold for \$255,000. The apartment is on the third floor without an elevator or parking, but is in a quiet area and does not face the street. The asking price was \$265,000.

The agency also rented a three-room apartment on Rehov Louis Marshall for \$1,000 a month. The apartment was recently renovated and has a garden.

Haifa and north

■ Bonei Hatichon is establishing two new projects in the Ramat Rabin area of Karmiel, after earning a total of NIS 30 million in sales within three months in a 72-unit project in

the neighborhood. The two new, high-standard projects, with 72 units and 55 units, boast underground parking, elevators and public areas around the buildings.

Apartments start at \$105,000 for three rooms and go up to \$145,000 for five rooms.

The company is also offering a 5 percent discount for 30 apartments in a project in Upper Nazareth, on Har Yona. The project is comprised of 88-sq.m. three-room apartments, with prices starting at \$85,000 after the discount. The offer is available for those with Housing Ministry eligibility.

■ In Kfar Tavor, a five-room 150-sq.m. cottage in the Ashdod Village neighborhood was rented for \$550 a month via Century 21. The house, part of a two-family unit, sits on a 350-sq.m. plot.

■ In Haifa, a four-room apartment on Rehov Tsafirim was sold via Century 21 for \$184,000. The apartment is on the third floor without an elevator and needs renovations. The asking price was \$215,000.

On Rehov Leon Blum, a four-room apartment on the ninth floor of a high-rise with a spectacular view was sold for \$147,000.

INDUSTRY AND
COMMERCE

■ Blue Square is investing a total of \$40m. to purchase space for and open eight new retail stores. CEO Yaakov Gelbard said the expansion adds 16,350 sq.m. in sales space to the company's retail operations, which include the Zil V'Zol, Super Center, Cop and Shefa Mehadrin chains. The new sites for the stores, which began opening in mid-August and will be ready by the end of the month, include Jerusalem, Kiryat Ata, Ganei Aviv, Karmiel, Nahariya and Moshav Tel Mond. Gelbard said another six stores would open by the end of the year.

■ James Richardson has won the franchise for running five chocolate and candy stores in Ben-Gurion Airport. Under the three-year contract, in which James Richardson is to pay NIS 11m. a year, all of the stores will be rebuilt and redesigned. Elite, which operated the stores for the past 10 years, also competed in the tender. James Richardson runs the main duty-free stores in the airport. The new stores, which will have a greater variety and quantity of merchandise, are to begin operating on October 18.

Russia's in the red, again

An Asian-style recession and skyrocketing inflation threaten to plague the former Communist country; how long this situation will last will depend on the policies of the new government

By LAWRENCE KUDLOW

NEW YORK — After watching the Russian economic and financial meltdown this week, one wonders whether there can be any doubt that stable currencies are absolutely essential if emerging economies are to prosper and grow? Over the past 12 months, South Korea, Thailand, Malaysia and Indonesia all "floated" their currency exchange rates to accommodate the excess money-supply growth that became the linchpin of their state-directed crony capitalist economies.

Before that, Mexico tried it in 1994. They all chose the easier and softer monetary way to keep afloat politically favored but unprofitable banks, corporations and state-owned companies.

But emerging-nation currencies don't float, they sink. Then come deep recession and hyperinflation. And after that come social unrest and political upheaval. Governments and stock markets come crashing down.

Last week it was reported that Malaysia's real gross domestic product contracted 6.8 percent in the second quarter, while South Korea's economy shrank 6.6%. Inflation in both countries is running around 16%. Their stock markets lost more than 70% of value over the past 12 months.

Here's some questions for the recently sacked Russian prime minister Sergei Kiriyenko: Before you took a bite from the IMF austerity apple of currency depreciation and tax increases, did you not read the international newspapers? Are you completely unversed in world economic history? Were you utterly ignorant of your own country's ruble collapse in the early 1990s?

Kiriyenko's firing was a good idea. Whether the new Prime Minister Viktor Chernomyrdin is the right man for the job remains to be seen. Yes, he is too close to the clique of kleptocratic oligarchs led by Boris Berezovsky, a group that continues to take the revenues from privatized state companies and IMF assistance plans and quickly convert the money from rubles into Swiss francs in privately numbered bank accounts.

However, at least Chernomyrdin has the political skills to deal with the ex-Communist-led Duma, the military, the emerging entrepreneurial small-business middle class, as well as the oligarchs (and probably the mafia). In all likelihood he will form a coalition government, a sort of French-style cohabitation that will include the former Communist apparatchiks and free-market reformers.

During Chernomyrdin's first premiership in the mid-1990s, he and President Boris Yeltsin accomplished a number of positive things. For example, the former Soviet Union has been substantially demilitarized, from 20% of GDP to 5%.

The armed forces have been reduced from 4 million to 600,000. The draft has ended, and the army is volunteer.

In foreign policy, Yeltsin grumbled but finally accepted the new US-NATO configuration that includes Poland, Hungary and the Czech Republic. Mother Russia made peace with Belarus, Ukraine and the Baltics.



The latest crisis unfolding in Russia, marked by an 85% year-to-date stock market drop and a 54% currency decline, will spell more suffering for ordinary people. (AP)

After a messy military incursion into Georgia, peace has finally taken hold under the relatively progressive governance of former Soviet foreign minister Eduard Shevardnadze.

According to American Enterprise Institute scholar Leon Aron, who is writing a favorable biography of Yeltsin, state-sponsored anti-Semitism has been ended in favor of religious tolerance. Russian orthodox and other Christian faiths are flourishing.

On the economic front, the Yeltsin-Chernomyrdin administration reduced money supply growth and stabilized the gold value of the ruble from mid-1995 until the recent devaluation. The US dollar exchange-rate was maintained around 6.2 during this period. The inflation rate was reduced from roughly 250% to around 5%. Interest rates plummeted and several government backed bond issues were successfully sold on the Eurodollar market.

From early 1996 to mid-1997 Russian stocks compiled the best emerging-market performance in the world. Under the tax-cut effects of falling inflation and interest rates, domestic production and consumption were increasing by nearly 15% as recently as late 1997. According to AEI's Aron, electricity output, food processing and charitable giving were all rising significantly before the current crisis. Twelve million middle-class Russians traveled abroad last year.

WITH the meltdown of the ruble (and the debt-restructuring plan based on rubles that no one wants to hold) all this economic progress will come to an end. Whether this is a long-term end or a temporary one depends on the shape of future Russian economic policies and the nature of the new government that will make them. Both are currently unknowable. What is known, however, is an 85% year-to-date stock mar-

ket drop and a 54% currency decline since the August 17 devaluation. This virtually ensures Asian-style deep recession and skyrocketing inflation over the next year.

As Lenin put it nearly a hundred years ago, "What is to be done?" For starters, financier George Soros' call for a currency board that mandates ruble convertibility at a fixed rate to the US dollar or the German mark is the right approach. I prefer a dollar link, especially since economist Steve Hanke reports that there are now twice as many dollars than rubles circulating in Russia. Soros knows whereof he speaks. His hedge fund company lost \$2 billion in Russian trading.

A currency board would create a disciplined market mechanism that prevents money creation without hard money reserves (and gold) inflows.

The Russian central bank would immediately begin selling Treasury bills to withdraw excess ruble liquidity. US dollars now in circulation should be made legal tender. The G-7, not the IMF, should organize a \$50b. assistance package earmarked solely for the new currency board. (By the way, has anyone seen or heard from Robert Rubin?) The highly regarded Bank of International Settlements (BIS) should supervise the monetary reform process, setting up a currency-board inspection team to report back to the G-7. Under these plans, international credit market confidence would be restored and much-needed hard money liquidity would flow into Russia.

Then the economic reform process could proceed with tax-rate reductions and base-broadening, free-trade expansion, gradual shrinkage of the welfare state, a real deposit-taking and credit-lending bank system, and strengthened private property and corporate governance rights. Especially important would be an across-the-board land privatization policy that would create tremendous ownership and entrepreneurial incentives and would net the empty Russian budget coffers a large bundle of much-needed revenues.

At the end of the day, however, any sense of future optimism in Russia depends on maintaining its fledgling democracy and free elections. If Russia loses this, it loses everything. Free people always strive for personal liberty and economic prosperity.

Through the trial and error of free elections, free people will choose the right leaders to maximize society's potential.

Whether Yeltsin hangs on, or Chernomyrdin ascends, or Alexander Lebed, or Gregory Yavlinsky or whoever, it is essential that the ordinary Russian has the power to decide. This is the next challenge. The current tide of history clearly favors democratization and free-market economics. This optimistic tide should carry Russia with it.

But the single biggest question for the former homeland of czars is, will freedom prevail? (Bloomberg)

Lawrence Kudlow was chief economist at the Office of Management & Budget during President Ronald Reagan's first term. He's now chief economist at American Skandia Life Assurance Corp.

Gone fishing — back after Labor Day

During one of the worst weeks for emerging markets in recent memory, US Treasury Secretary Bob Rubin refused to interrupt his vacation to allay investors' fears

By CAROLINE BAUM

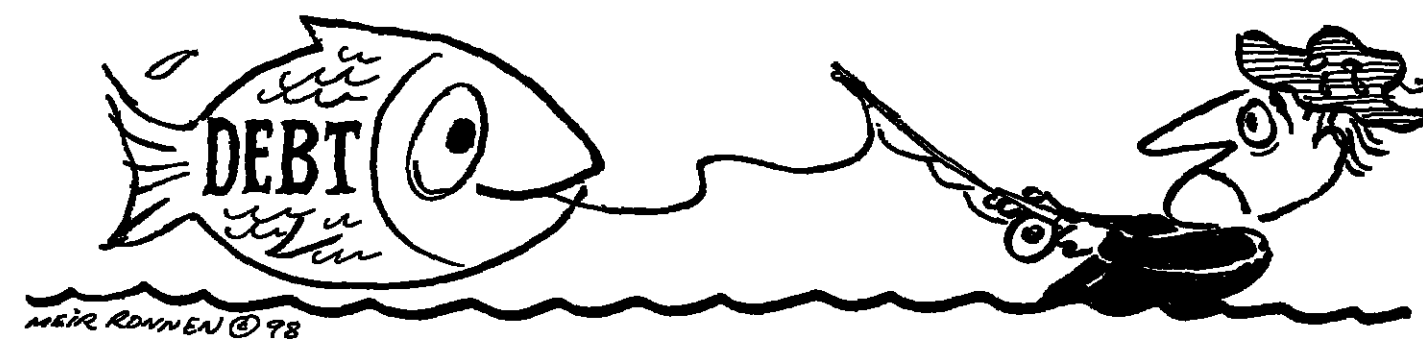
NEW YORK — Through the entire Asian crisis, from the devaluation of the Thai baht in July 1997 to the meltdown in the Hong Kong stock market in October 1997 to the dramatic ouster of long-time Indonesian strong man, General Suharto, in May, there has been one voice, and one voice alone, that has been omnipresent (not to be confused with omniscient) to calm US and global investors and reassure them that someone was in charge.

Where is Bob Rubin now? Fishing in Alaska.

Everyone needs a vacation, and no one more so than the US Treasury secretary, who has the whole world's bad-debt problems on his shoulders. But after one of the worst weeks for emerging markets in recent memory, couldn't Trader Bob put down his fly rod and pick up his cell phone for a quick comment? Treasury has been eerily silent on Russia this week, given that Russia just took the money and ran.

Perhaps Treasury has some egg on its face? After all, Russia just got \$4.8 billion from the International Monetary Fund that has either gone down the tubes defending the ruble or is else tucked away in the bank account of some Russian apparatchik or oligarch, perhaps in some of those German banks with loan exposure to Russia!

The comments Treasury has offered in recent days have been terse and non-specific. On Wednesday evening, a senior Treasury official made a brief, on-the-record comment to reporters: "We are clearly in a new phase," the official said. "The Russian authorities are in the process of putting in place a new team. When the team is in place, it's important it work quickly with the IMF to put in place the set of policies that can restore



stability and that the international community can support."

Now that Russia has alleviated the immediate stress of its debt-repayment problem, it is not going to install a new government just so the US and IMF will have a team to work with. Maybe Treasury officials aren't talking because they don't have anything to say and don't know what to do.

Last week Treasury's No. 2, Larry Summers, offered some limited comments. The US will work "through the international financial institutions to support strong policy steps as appropriate," the deputy Treasury secretary said.

What if the policy steps are inappropriate? The news out of Russia has not been encouraging on that score. Russia is moving to nationalize banks and key industries and impose foreign exchange controls. If that's the case, then Russia would jeopardize its status as a member of the international community, making it persona-non-grata at the IMF.

"Russia wasn't allowed into the international lending agencies until after glasnost," notes Carl Weinberg, chief economist at High Frequency Economics. "If they don't maintain the convertibility of the currency and nationalize their industries, it's not clear what their status would be" with the IMF. Of course, with some \$10b. in

loans (a rough guess; you try and do the IMF math) already dispersed to Russia over the years, the IMF "has a lot of incentive to work with Russia, even though the world might want to give them the boot," Weinberg says.

Russia's unilateral action to restructure its debt, without consultation with the IMF or major lenders, can be viewed as "a hostile act," says Weinberg, who spent a good deal of time in the 1980s restructuring Latin American debt for the Bank of Montreal. "The lenders have no choice."

But he believes that last week's announced restructuring was just the "first stage of several steps, all of which we've seen before."

THE FIRST step in any kind of cash crunch is to restructure short-term debt as medium-term debt, Weinberg explains, extending "the hump" in interest payments farther into the future.

"That solves the first problem but attenuates the second problem," he says.

The second step is to restructure the medium-term debt as long-term debt — move the hump further out — at which point the debtors generally realize that they are paying too much, leading to the final step of securitization, Weinberg adds.

Other economists aren't so sure that the Russian debt restructuring is business as usual, with a hostile edge.

"The real danger posed by Russia is simply this," says Roger Kubarych, partner at Kaufman & Kubarych. "If Russia gets away with confiscating creditors' wealth, what Third World government won't try to do the same? This is a watershed, a breach in the modalities that have been put in place for the last 16 years."

Sadly, someone always has to lose money before some hazard can be put back into moral hazard. Ever since the Mexico crisis and US bailout in 1994, international speculators figured that they would get compensated for any risky bets that went sour.

That perception of a safety net encourages risky behavior in the future. What were these folks thinking when they plowed money into Russia, enticed by yields of 70 or 100 or 150 percent for the use of their money for less than a year? Didn't the hefty returns suggest hefty risk? There is no free lunch. Not even at Merrill Lynch.

What there is is a huge flight-to-quality in the US Treasury market, which picked up both volume and froth overnight as Asian stock markets suffered significant losses. Japan's Nikkei 225 stock index skidded almost 3.5% to a 12-year

low of 13,916. Russia may be in the headlines, but Japan is the real threat to the global economy.

Hong Kong's Hang Seng Index fell 1.2% despite heavy government intervention, an effort giving credence to the law of diminishing returns.

Treasuries were huge overnight, with good Japanese buying of two-year notes and central bank buying of bills.

The 30-year bond yield touched an intraday low of 5.28%, backing up all the way to 5.40% in New York trading as the stock market fluctuated between down and down a lot.

"It had the feel of a buying climax," says John Spinello, chief Treasury market strategist at Merrill Lynch.

Traders are trying to make something of the various comments coming out of the annual Fed conference at Jackson Hole. But it's hard to attach much relevance to the comments, at least as far as market pricing.

Even if Fed Chairman Alan Greenspan announced in no uncertain terms that the Fed was going to lower the federal funds rate immediately by 50 basis points to 5% to help ease the strains caused by the global crisis, what would that mean for the Treasury market? Probably that it's overpriced. (Bloomberg)

THE BUSINESS SCENE

By GREER IAN CASHMAN

2.9 Journey '98, the second annual venture-capital, high-tech entrepreneur journey, cosponsored by Ernst & Young, Ventureone, Wilson Sonsini Goodrich & Rosati Attorneys at Law, Silicon Valley Bank and Broadview, will take off at a conference at the Dan Panorama Convention Center, Tel Aviv.

7.9 New Era Careers will be the focal point of a discussion to be hosted at the Holiday Inn Crowne Plaza Hotel, Tel Aviv, by the Israel Management Center and the Association of Managers of Human Resources. Speakers will discuss new career options in Israel and abroad, as well as how to manage a career in a global industrial company.

9.9 The second annual conference on Technology and Growth, sponsored by the Tamir Fishman Hambrecht and Quist Investment Bank, will convene at the Tel Aviv Hilton Hotel. At the two-day event, the investment bank will speak to representatives from technology-oriented companies, institutions with investment portfolios, pension funds, provident funds, and venture-capital funds, about its capital-market services.

9.9 A special conference for users of Tandem computers and software will be held at the Sheraton Hotel, Tel Aviv, to enable some of Tandem's business partners to discuss and demonstrate their most recent technologies.

13.9 The Israel Venture Association, in conjunction with the Giza Group, Nesher, EASDAQ, Kesselman & Kesselman, Testa Hurwitz & Thibault Attorneys at Law, BT Alex Brown, and Silicon Valley Bank will host the Third Annual Conference on High-Tech Venture Capital at the Dan Panorama Hotel.

Participants in the two-day conference will discuss venture capital in Israel and abroad; high-tech developments in communications, Internet, biotechnology, and health; investments by multinational companies; and public and private share offers. Prime Minister Benjamin Netanyahu is expected to attend the opening of the conference.

14.9 Financiers, bankers, investment brokers, accountants and computer experts will participate in a workshop on High Finance on the Internet. Jointly sponsored by the Israel Finance Club and John Brice, the workshop at the Sheraton Hotel, Tel Aviv, will deal with topics such as trading on the Internet, virtual banking, digital money, financial data, smart cards and safety precautions.

14.9 Changing values and concepts in the media world have prompted the Israel Management Center to organize a discussion evening on the Permissible and the Forbidden in Advertising. Speakers who inter alia will include MK Avraham Poraz, Nahman Shai, director-general of the Second Channel for Television and Radio; and Razi Peled, chairman of the Israel Advertisers Association, will examine the legal and ethical aspects of advertising as well as public criticism of the content of advertising campaigns. The Dan Hotel, Tel Aviv, is the venue.

15.9 Representatives from some dozen pension and provident funds will meet at the Holiday Inn Crowne Plaza Hotel, Tel Aviv, to discuss the changeover of pensions from a budgetary to a cumulative framework, and examine the resulting new realities. The study evening is cosponsored by the Israel Management Center and the Association of Managers of Human Resources.

Wall Street plunges 6% to 7539.07

LAST	CHANGE
Tel Aviv 7539.07	-452.10
Nikkei 14107.84	-138.75
Dow Jones 7539.07	-452.10
FTSE 100 2946.4	-25.1
Hang Seng 10232.5	-125.5
ASX 200 3125.0	-35.0
EURONEXX 1500.0	-15.0
NYSE 1100.0	-10.0
NYSE Europe 1100.0	-10.0
NYSE Asia 1100.0	-10.0
NYSE Latin 1100.0	-10.0
NYSE Middle East 1100.0	-10.0
NYSE Africa 1100.0	-10.0
NYSE Oceania 1100.0	-10.0
NYSE Europe 1100.0	-10.0
NYSE Asia 1100.0	-10.0
NYSE Latin 1100.0	-10.0
NYSE Middle East 1100.0	-10.0
NYSE Africa 1100.0	-10.0
NYSE Oceania 1100.0	-10.0

LAST	CHANGE
Gold 380.10	+1.91
Silver 15.75	+0.05
Copper 1.15	+0.02
Platinum 1000.00	+0.05
Palladium 1500.00	+0.05
High-grade copper 1.15	+0.02

FOREIGN EXCHANGE RATES

DATE 31-AUG-98	LAST	CHANGE
Sal (Basel) (1)	4.1394	0.00
US Dollar (1)	3.8751	0.00
Swiss Franc (1)	2.1688	0.00
French Franc (1)	0.0486	0.00
German Mark (100)	2.3072	0.00
British Pound (1)	2.8232	0.00
Japanese Yen (100)	2.4511	0.00
South African Rand (1)	2.1762	0.00
Israeli Shekel (1)	5.4444	0.00

NEW YORK MARKET INDEXES

LAST	CHANGE
DJ Industrials	7539.07
DJ Tech	1515.15
DJ Mid	2782.2
DJ Small	2922.28
DJ Europe	1100.0
DJ Asia	1100.0
DJ Latin	1100.0
DJ Middle East	1100.0
DJ Africa	1100.0
DJ Oceania	1100.0

OTHER MARKET INDEXES

LAST	CHANGE
FTSE 100	2946.4
Hang Seng	10232.5
ASX 200	3125.0
EURONEXX	1500.0
NYSE	1100.0
NYSE Europe	1100.0
NYSE Asia	1100.0
NYSE Latin	1100.0
NYSE Middle East	1100.0
NYSE Africa	1100.0
NYSE Oceania	1100.0

DOLLAR CROSSES (US)

LAST	CHANGE
Swiss Franc	1.4852
French Franc	0.0486
German Mark	2.3072
British Pound	2.8232
Japanese Yen	2.4511
South African Rand	2.1762
Israeli Shekel	5.4444

US COMMODITIES

LAST	CHANGE
Gold	380.10
Silver	15.75
Copper	1.15
Platinum	1000.00
Palladium	1500.00
High-grade copper	1.15

LONDON COMMODITIES

LAST	CHANGE
Gold	380.10
Silver	15.75
Copper	1.15
Platinum	1000.00
Palladium	1500.00
High-grade copper	1.15

SPOT MARKET METALS (US)

LAST	CHANGE
Gold	380.10
Silver	15.75
Copper	1.15
Platinum	1000.00
Palladium	1500.00
High-grade copper	1.15

NEW YORK METAL FUTURES

LAST	CHANGE
Gold	380.10
Silver	15.75
Copper	1.15
Platinum	1000.00
Palladium	1500.00
High-grade copper	1.15

LONDON METAL FIXES

LAST	CHANGE
Gold	380.10
Silver	15.75
Copper	1.15
Platinum	1000.00
Palladium	1500.00
High-grade copper	1.15

SOURCE: S&P COMSTOCK (DATE 31-AUG-98)

Wall Street

The Dow Jones industrial average plunged more than 510 points, as worries over the global economy sent the market in a headspinning fall that erased all of this year's gain.

Based on early, unofficial results, the Dow was down 512.61 points, or 6.3 percent, at 7,539.07. In percentage terms, the drop was not among the top 10.

In the broader market, declining issues swamped advances 7 to 1 on heavy volume of 924 million shares on the New York Stock Exchange.

The Nasdaq composite index posted a record loss, falling 140.46 points, or 8.5%, to 1,499.22.

"I think people realize it's a 'crash-ette,'" Robert Stovall, president of Stovall/Twenty-First Advisers, said of the market's fall. Trading volumes swelled as a wave of selling hit in the last hour of trading.

"The word capitulation comes to mind," said Philip Orlando, chief investment officer of Value Line Asset Management.

Wall Street was unsettled by Russia's unfolding political crisis after country's Duma lower house in parliament rejected Viktor Chornomyrdin as prime minister.

Global investors speculated that a political paralysis might push

Russia into a nasty economic crisis after the rouble's recent collapse.

Among blue-chip stocks, IBM sank 9-15/16 to 112-5/8. Travelers tumbled 3-15/16 to 44-3/8, and Procter & Gamble lost 5-5/16 to 76-1/2.

(Reuters)

Tel Aviv

Stocks rose for the first time in four days, led by Bank Hapoalim and Bank Leumi, which reported gains in second quarter profits, as the shekel strengthened against the dollar.

Hapoalim gained 3.75 percent to NIS 9.12, and Bank Leumi increased 2.5% to 6.07. That helped the Maof index of the 25 largest companies rise 1.24% to 300.66.

The shekel gained 1.9% to 3.801 against the US dollar yesterday after Finance Minister Yaakov Neeman and Bank of Israel Governor Jacob Frankel said they were confident it will withstand volatility in foreign currency markets, traders said.

"The main reason for the market to be positive is the fact that dollar was depreciated against shekel by 1.9%, which erased concern in the market about rising inflation in Israel," said Eli Nahum, the head trader at Zannex Securities.

The Tel Aviv-100 Index of

STOCKS

Maof 300.66 ▲ 1.24%

Dow Jones 7539 ▼ 6.3%

Nikkei 14107.84 ▲ 1.38%

largest companies gained 1.63% to 293.61. Across the exchange, NIS 253.9 million in shares were traded, 70% more than the month's average.

Europe

European stocks fell for a fourth day on concern that Russia's economic and political woes will slow European growth and hurt corporate profits. Novartis AG and UBS SA were among leading decliners.

The Bloomberg 500 index of leading European companies shed 2.03 points, or 1.08%, to 186.78, a six month low. All of Europe's key national benchmark indexes fell. UK markets were closed for a national holiday.

"People are behaving irrationally because they can't see any

solutions coming out of Russia," said Thierry Girardet, a fund manager at Fival SA in Paris. "We've got a global panic that could go on."

Novartis AG fell 55 francs to 2,249 after a Swiss Sunday paper said the world's largest health-care company suffered a setback in its cancer research after a researcher falsely reported data. Novartis' chief executive said the newspaper report was "completely misleading."

UBS, the world's second-biggest bank, fell 13 Swiss francs to 467, taking its five-day decline to 10%. Credit Suisse group fell 8.5 Swiss francs to 253.5, down 14% in five days.

"I'm not buying banks at the moment," said Trudbert Merkel, of Deutsche Kapitalanlagegesellschaft mbH in Frankfurt. "There could be some unfavorable news coming in the next month."

Declines came as the Bank for International Settlements said foreign banks more than doubled their lending to Russia in the first quarter of the year from the previous quarter as they shifted funds from Asia. Now, many of those loans may be in peril.

Bayerische Hypo-und Vereinsbank AG fell 9.5 marks to 134.5 after the bank said it expects to raise provisions for bad loans by 19%, according to a report in the newspaper

Sueddeutsche-Zeitung. Dresdner Bank AG fell 3.5 marks to 78.5.

Asia

Hong Kong's Hang Seng index took its steepest plunge since January as the government drew back from a \$12.5 billion equity-buying binge aimed at foiling a currency and stock speculation.

Japan's Nikkei 225 index rebounded from a 12-year low, led by Daiichi Kangyo Bank Ltd., while South Korean stocks rose on government plans to stimulate the economy. Stocks fell in Australia, Singapore, Taiwan, and Thailand.

HSBC Holdings Plc., Hong Kong Telecommunications Ltd., and Hutchison Whampoa Ltd. declined, along with other blue-chip stocks that the Hong Kong Monetary Authority has been buying for the last two weeks.

"The intervention has chased away the investors, not the speculators," said Mac Overton, a fund manager at MBF Unit Trust Managers Ltd.

The benchmark 33-stock index fell 554.70, or 7.1%, to 7,275.04. Traders said the threat of more buying by the Hong Kong Monetary Authority checked the slide, as did investors' settling earlier bets against stocks.

(Bloomberg)

Shekel appreciates 1.9% against dollar

The shekel appreciated 1.91 percent against the dollar in what dealers said was a technical rebound after it had lost more than 3% during the last two trading sessions.

The representative rate of the dollar was fixed at NIS 3.801, while the currency basket was set at NIS 4.07.

Dealers said that trading was active and nervous. They added that the market is expected to remain volatile in coming days until the shekel reaches a new equilibrium.

Meanwhile, the dollar rose against the mark for the first time in three days as signs of political and economic disarray in Russia soured traders on Germany, Russia's biggest lender and trading partner.

Parties with two-thirds of the seats in Russia's Communist-dominated lower house of parliament have vowed to vote against Viktor Chornomyrdin as prime minister, leaving uncertain whether Russian leaders can soon and resolve the troubles that sent the stock market and currency plunging.

"What's going to happen to the reforms?" said Roger Chapin, manager of foreign exchange at Banc One Corp. If the economy falters further, "that's not going to make outside investors happy. The German government's been financing Russian loans, so guess who gets to pay the Russian bills." That's hurting the mark, he said.

The dollar rose to 1.7638 marks from 1.7589 marks Friday in New York and edged lower to 1.41.40 yen from 1.41.77 yen. The dollar gave up some mark gains in New York trading amid a decline in US stocks, with the Dow Jones Industrial Average falling 95

points to 7955. The US currency lost more than 2% versus the mark Friday after stocks slumped. Global investors selling equities often convert their dollar proceeds to home currencies.

Chornomyrdin's confirmation is seen as critical to steadying the country's rocky political scene after President Boris Yeltsin fired

CURRENCIES

Dollar 3.8010 ▼ 1.91%

Basket 4.0700 ▼ 1.58%

Mark 2.1501 ▼ 0.85%

Sterling 6.3351 ▼ 1.38%

points to 7955. The US currency lost more than 2% versus the mark Friday after stocks slumped. Global investors selling equities often convert their dollar proceeds to home currencies.

Chornomyrdin's confirmation is seen as critical to steadying the country's rocky political scene after President Boris Yeltsin fired

the previous government a week ago and Russians rushed to change rubles for dollars.

Expectations Chornomyrdin won't be confirmed helped push Russian stocks and the ruble lower. The government effectively devalued the ruble August 17.

The dollar's gains also were held in check by speculation that the US Federal Reserve may lower its benchmark lending rate before long to ease pressure on troubled financial markets in Russia, Asia, and elsewhere.

"Before, there was an expectation there would possibly be one more interest rate hike" in the US, said Chapin. "That's now gone, so that's going to undermine the dollar."

In one indication that rates may be headed lower, yields on US Treasuries of all maturities are now lower than the Fed's 5.50%

rate for overnight borrowing between banks. That means investors see little risk that inflation will erode the fixed value of even long-term bonds.

Lower US interest rates would lessen the appeal of dollar-denominated deposits and bonds.

To be sure, the dollar could gain against the yen in coming days amid signs that Japan's economy, mired in recession, will remain in the doldrums. A spate of reports yesterday showed factories cut production, builders started fewer new homes, and retailers sold less in July.

"You had more bad news out of Japan - three bad indicators," said Bob Lynch, a currency strategist at Paribas Corp. "Once the smoke clears, Japan is still going to come up short, and the negative bias for the yen is likely to continue."

(Bloomberg)

Gold rises on concern over Russian sales

Precious metals

Gold for December delivery rose as much as \$2.60, or 0.9 percent, to \$280.50 an ounce on the Comex delivery of the New York Mercantile Exchange. Other metals also rose.

Persistent concern that Russia will escalate sales of its precious metals in a bid to raise much-needed cash has so far been unfounded. Still, any further gains in precious metals could be capped by ongoing political difficulties in Russia and deepening economic problems.

Russia's parliament was expected to vote against Viktor Chornomyrdin as Russia's next prime minister yesterday, pushing stocks and the ruble lower, after parties with two-thirds of the seats said they oppose him. Chornomyrdin's confirmation is critical to steadying Russia's rocky political situation after President Boris Yeltsin fired the previous government a week ago and Russians rushed to change their rubles for dollars. If confirmed Chornomyrdin has vowed to protect citizens' savings, pay back wages and pensions to state workers, and support industry.

COMMODITIES

Gold \$276.15 ▲ 1.8%

Crude Oil \$12.56 ▲ 0.28%

CRB 195.99 ▲ 0.64%

Oil

Crude for October delivery was little changed in early trading.

falling 2 cents to \$13.48 barrel on the New York Mercantile Exchange. Venezuelan and Mexican oil ministers met Friday, though they wouldn't say if oil prices were discussed. The two ministers will meet with their Saudi Arabian counterpart in early this month. Traders doubt they will agree to any new output cuts in a bid to lift prices.

Tosco Corp. said Friday it will cut crude-oil processing at its East Coast refineries as long as refining profit margins stay low. The move will limit supplies of gasoline and heating oil to the densely populated northeast.

Others

Cocoa for December delivery rose as much as \$34, or 2.1%, to \$1,633 a metric ton on the Coffee, Sugar & Cocoa Exchange. Lingering concern that the recent spell of dry weather in the Ivory Coast, the world's largest cocoa producer, may have damaged some crop growth lifted prices. The heaviest rainfall in the region has been mostly confined to the north of the region.

(Bloomberg)

US bonds rise as stocks fall

US bonds

US bonds rose for a fifth day as stocks slumped and reports suggested that turmoil overseas is slowing US economic growth.

"Everyone just wants Treasuries, you're seeing that in all markets," said Bob Laskowski, of the China Trust Bank, who expects yields on government bonds to decline further.

The 30-year Treasury bond rose 6/32, or \$1.88 per \$1,000 bond, after dropping as much as 22/32 earlier. The yield fell 2 basis points to 5.32%. Friday, yields fell as low as 5.28%, the lowest since the US started regular sales of the securities in 1977.

Investors snapped up Treasuries in recent weeks as a refuge from turbulent financial markets after Russia devalued its currency and forced investors to take big losses on 281 billion rubles of short-term

government debt. Last week, the Dow Jones Industrial Average slumped 5.7%, the worst weekly performance since October 1989.

"The international situation and US stocks are keeping the flight to quality alive," said Raphael Marroun, an economist at Deutsche Bank Securities.

Bonds were also helped by the National Association of Purchasing Management. Chicago's monthly index of regional manufacturing. It fell to 49.3 this month from 57.6 in July, its lowest point since March of 1996. An index below 50 means the number of manufacturers who said business deteriorated was greater than the number of those saying it improved.

Sales of new homes fell more than expected last month, a sign

BONDS

US 30-year T-bill yield

5.32 ▼ 0.02

record pace in June.

New single-family home sales fell 1.6% in July to 886,000 units at an annual rate, the Commerce Department said.

Yesterday's reports on new home sales and manufacturing "were weaker than expected and

the stock market is falling, and that's helped too," said David Duerson, head government bond trader at BancAmerica Robertson Stephens in San Francisco.

Bonds are also benefiting from investors looking to add securities to their portfolios to better mirror benchmark indexes they use as a measure of performance, said William Lloyd, head of market strategy at Barclays Capital Inc.

This month's quarterly sale of five- and 10-year notes and 30-year bonds by the Treasury will extend the duration of most government bond indexes by more than usual this month. That is likely to prompt investors to buy bonds or risk lagging their benchmarks, Lloyd said.

Duration is a measure of a security's length used by traders that takes into account coupon pay-

ments and indicates how changes in interest rates will affect the bond's prices.

The new Treasury securities sold in August begin to count toward returns for the index in September, said Steve Berkley, who manages the index group at Lehman Brothers Inc.

Treasuries of all maturities are yielding less than the Federal Reserve's 5.5% target rate for overnight loans between banks, or federal funds rate. That suggests that many investors see a chance the Fed will lower interest rates to try to stabilize global markets and head off an economic slowdown in the US. The Fed last changed rates in March 1997, raising the fed funds target by a quarter point. The Fed's policy-making board next meets on September 29.

(Bloomberg)

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ISRAEL MONEY MARKETS

Patah (foreign currency deposit rates)	3 MONTHS	6 MONTHS	12 MONTHS
US dollar (\$250,000)	4.770	4.800	5.090
Pound sterling (£100,000)	5.550	5.540	5.620
German mark (DM 200,000)	2.180	2.280	2.700
Swiss franc (SF 200,000)	0.080	0.190	0.560
Yen (10 million yen)			

(Rates vary higher or lower than indicated according to deposit)
Shekel Foreign Exchange Rates* (31.8.98)

CHECKS AND TRANSFERS	BUY	SELL	BANKNOTES	BUY	SELL	Rep. Rates**
Currency basket	4.0576	4.1231				4.0700
US dollar	3.7824	3.8536	3.72	3.91	3.8010	
German mark	2.1375	2.1720	2.10	2.21	2.1501	
Pound sterling	6.3155	6.4174	6.20	6.51	6.3351	
French franc	0.8395	0.8488	0.82	0.86	0.8414	

Inside

England lose to Sri Lanka

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Lauder to acquire Betar

Page 17

Sports Editors
Joe Hoffman & Ori Lewis

SCOREBOARD

BRITISH SOCCER: Yesterday's Division One results: Barnsley 1, Oxford 0; Bradford 2, Birmingham 1; Bristol City 1, Huddersfield 2; Bury 3, Swindon 0; Grimsby 5, West Bromwich 1; Port Vale 0, Ipswich 3; Portsmouth 3, Queens Park Rangers 0; Wolverhampton 2, Stockport 2.

McGwire hits 55th home run

Regains lead from Sosa who reaches 54; Griffey in late bid with 46th, 47th homers

ST. LOUIS — Mark McGwire hit his 55th home run to regain the major-league lead from Sammy Sosa and lift the St. Louis Cardinals to an 8-7 victory over the Atlanta Braves on Sunday.

Just seven hours earlier, Sosa had hit his 54th homer for the Cubs at Colorado to tie for the lead.

McGwire's 501-foot blast, a three-run shot off Dennis Martinez in the seventh, also came one day after he was ejected in the first inning for arguing a called third strike.

St. Louis trailed 7-5 before Delino DeShields walked and Brian Jordan singled to start the seventh.

McGwire, who was hitting .130 against the Braves this season, capped a 3-for-3 night by launching a 1-0 pitch from Martinez (3-6) over the center-field fence and off a neon Cardinals logo above a message board at Busch Stadium. It helped offset two homers from

Andres Galarrraga and one each from Javier Lopez and Andruw Jones.

"Anything you can do to help the team get a victory is very, very special," McGwire said.

On the subject of the home run chase which has riveted all eyes on him, McGwire said: "I'm going to give it a shot. That's all I can do."

In addition to being six away from Roger Maris's major league record for homers in a season (61 in 1961), McGwire is just one away from Hack Wilson's 68-year-old National League record.

Mark Petkovsek (7-4), the third St. Louis pitcher, allowed one hit over two innings for the win. Juan Acevedo survived a one-hit ninth for his fourth save in five chances.

Cubs 4, Rockies 3
Sosa's 54th homer was the first of three off Darryl Kile as the visiting Cubs held on for a 4-3 victory over the Rockies to tie with the Mets for the NL wild-card lead.

Sosa's 482-foot shot, his second homer of the series, was the longest at Coors Field this season. Jose Hernandez and Gary Gaetti also homered for Chicago.

Kevin Tapani (16-7) allowed two runs and seven hits in seven-plus innings with no walks and a strikeout.

Kile (10-15), who is second in the league in losses, pitched well after the early homers. He allowed four runs and nine hits in eight innings with a walk and 12 strikeouts.

Colorado was eliminated from the Western Division race.

Dodgers 4, Mets 2
Reserve catcher Tom Prince hit a tie-breaking two-run double in the seventh inning and former Met Dave Mlicki (8-6) struck out a season-high nine.

New York's loss, coupled with Chicago's win, left the Mets and Cubs tied for the NL wild-card lead.

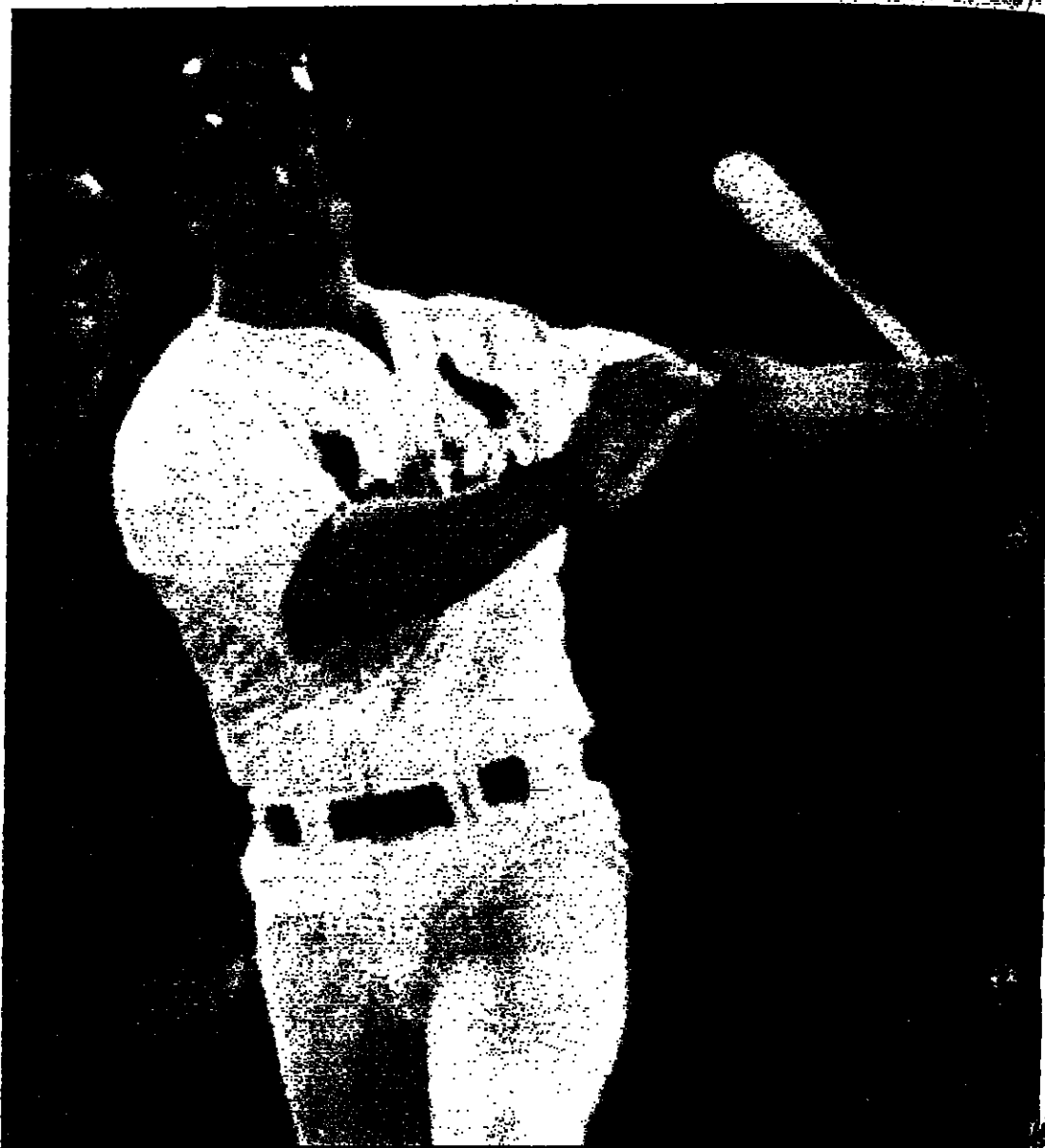
Pitching in 101-degree heat at Dodger Stadium with no breeze, Mlicki went the distance, giving up two runs on eight hits.

Masato Yoshii (5-8) took the loss.

Astros 11, Pirates 4
Rookie Richard Hidalgo homered twice as the host Astros got their 40th come-from-behind victory this season.

Shane Reynolds (17-8) struck out a season-high 11 in seven innings for Houston, which has won three straight and 18 of 23.

Jeff Bagwell hit two doubles and his 28th homer, a two-run shot in the eighth, for the Astros.



BACK ON TOP — Mark McGwire connects for home run No. 55, lifting the Cardinals past the Braves, 8-7.

See BASEBALL, Page 18

Sampras sharp as US Open begins

NEW YORK — Pete Sampras loosened up yesterday for what he hopes will be a piece of tennis history — a record-tying 12th Grand Slam singles title.

He got in the groove early on the speedy asphalt court at Arthur Ashe Stadium, rolling to a 6-3, 6-2, 6-2 victory over Germany's Marc Goellner on opening day at the US Open.

"In the early round matches, I just to stay sharp and get used to the court," Sampras said. "It's nice to get the monkey off your back and get into the tournament." Goran Ivanisevic also cleared a hurdle in getting past the opening round. No. 15 seed Alberto Berasategui wasn't so lucky.

"In the last five years, I've made one semifinal and four first rounds," Ivanisevic said after stopping Australia's Mark Woodforde 6-3, 6-4, 6-4 in the opening match at the main stadium.

"Today was perfect," Ivanisevic sandwiched a 1996 trip to the semifinals around first-round losses in 1994, '95 and '97. In 1993, the 6-foot-4 Croat made it to the second round.

Berasategui, one of four Spaniards seeded in the men's draw, lost a battle of clay-courts, falling to Thomas Muster of Austria 7-6 (7-1), 6-2, 6-3.

In the day's third match, Martina Hingis made a strong start to her defense of the US Open women's singles championship with a straight-sets victory over Aleksandra Olsza of Poland.

Hingis, the world No. 1 and top seed, needed just 59 minutes to beat 139th-ranked Olsza 6-2, 6-0 under gray skies at Arthur Ashe Stadium.

The 17-year-old Swiss, who has not tasted tournament victory in nearly four months since

winning the Italian Open, made just 13 unforced errors to 28 for Olsza and won 75 percent of her first serves in the one-sided match.

"This is a good win, the first round in less than an hour," said Hingis. "I'm very positive now, I'm in a good mood now."

Switzerland's Patty Schnyder, seeded 11th in the women's draw, advanced with a 7-6 (7-5), 7-5 victory over Yuka Yoshida of Japan. No. 16 Ai Sugiyama of Japan crushed Romania's Ruxandra Dragomir 6-1, 6-2.

Serena Williams survived to fight another day, escaping Australia's Nicole Pratt 6-3, 3-6, 6-4.

Both Sampras and Ivanisevic found the hard courts extremely fast, just to their liking.

"This is the quickest I've ever played at the US Open," Sampras said. "It's good for my serve-and-volley game." Goellner stayed even with the top seed through the first seven games. After that, it was all Sampras, whose biggest serve was 131 mph, just 1 mph slower than Ivanisevic's best.

Sampras, seeking his fifth US crown and trying to tie Roy Emerson as the men's leader with a dozen Grand Slam singles titles, knows no opponent can be taken for granted.

"You can't look ahead. That's kind of the kiss of death," Sampras said. "You got to get through the first couple of matches and then you start worrying. ... I've been in this position too many times to look ahead."

The Ivanisevic-Woodforde match appeared on paper to be one of the closest of the first day of the year's final Grand Slam tournament.

But Ivanisevic pounded 23 aces in the match between left-handers, time and again catching

Woodforde, one of the world's top do-it-all players, leaning the wrong way. And even Ivanisevic's erratic ground game was impeccable under the bright, hot sun as he struck 49 winners to 23 by Woodforde.

"If I can continue to serve like this, great," Ivanisevic said.

Ivanisevic will be tested along the way. And one man playing particularly well is Patrick Rafter, the Aussie whose only Grand Slam title came in New York last year.

"Physically, I'm more refreshed and a lot more relaxed for the US Open than I was last year," Rafter said. "I don't have to prove anything. My record this summer speaks for itself."

I'm going into the tournament with a lot of confidence and a stronger mental attitude. Rafter completed his preparations Sunday by winning the Hamlet Cup, his fourth tournament victory this summer. He was not scheduled to play yesterday.

No. 6 Monica Seles, who has won the US Open twice, the last time six years ago, was scheduled to open against Argentina's Florencia Labat, followed by former US Open champion Andre Agassi, seeded eighth, against Sebastian Grosjean of France, who upset Sweden's Jonas Bjorkman last week.

In Sunday's action, Michael Chang won his first title of the year with a straight-sets victory over Paul Haarhuis of the Netherlands at the MFS Pro Championships at the Longwood Cricket Club in Brookline, Massachusetts.

Displaying the crisp style and endless hustle that has always made him a crowd favorite, Chang, the fourth seed, won the final match 6-3, 6-4.

(AP, Reuters)

Hoddle: Owen is England's best striker

LONDON (Reuters) — England coach Glenn Hoddle hailed Michael Owen yesterday as the best striker in the country after his awesome start to the season.

The 18-year-old Liverpool forward has continued the form that catapulted him to stardom in the World Cup and scored a 16 minute hat-trick against Newcastle on

Sunday. He is now firmly the No. 1 choice to partner Alan Shearer against Sweden in a European championship qualifying game in Solna on Saturday.

Hoddle said: "He is very single-minded on the pitch. At the moment he is the best striker in the country."

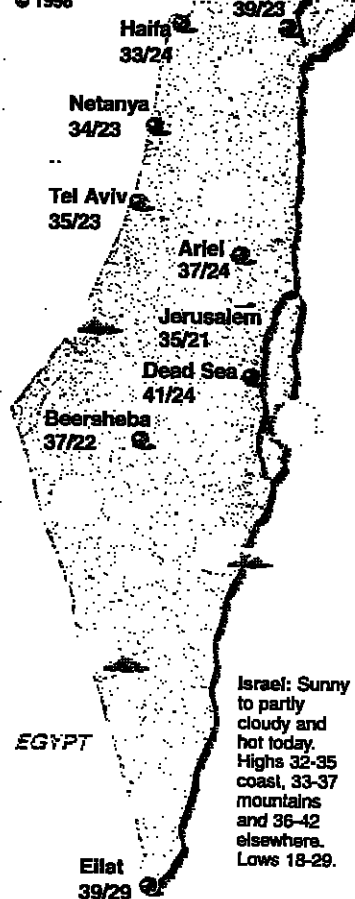
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THE WEATHER

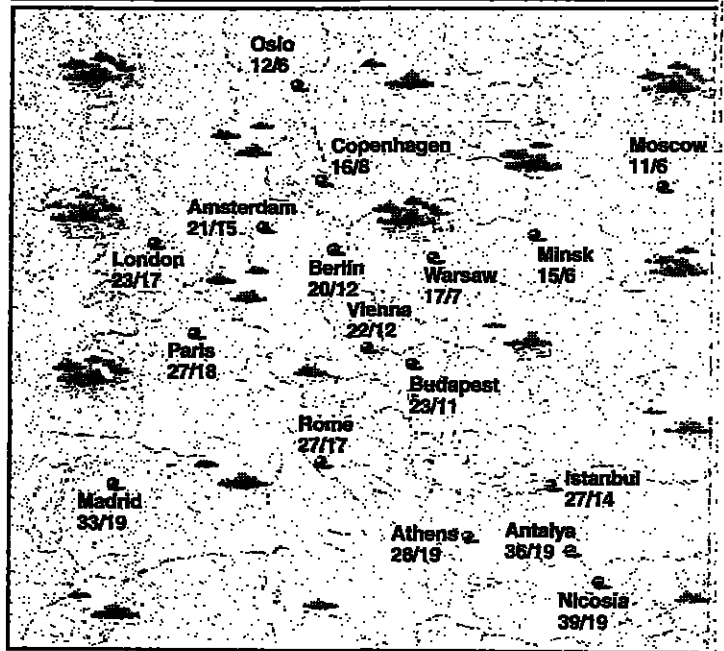
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ISRAEL

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EUROPE WEATHER TODAY



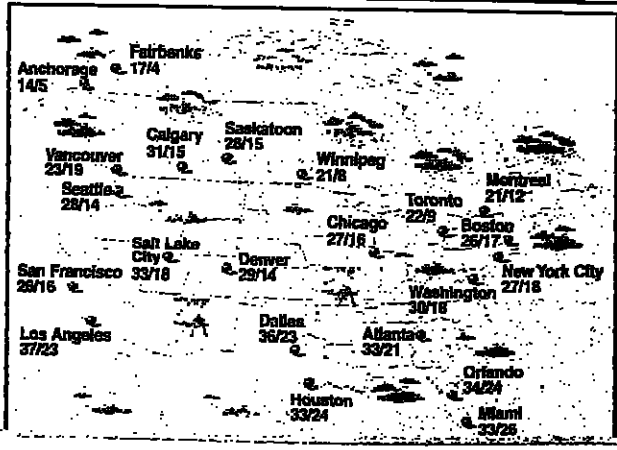
ISRAEL CITIES

City	Today High/Low	Wednesday High/Low	Thursday High/Low	Friday High/Low
Ariel	37/24	38/27	38/27	38/27
Beer Sheva	37/24	38/27	38/27	38/27
Dead Sea	41/10	42/10	42/10	42/10
Eilat	39/10	39/10	39/10	39/10
Haifa	33/24	33/24	33/24	33/24
Jerusalem	35/25	35/25	35/25	35/25
Katmon	39/10	39/10	39/10	39/10
Natanya	34/23	34/23	34/23	34/23
Tel Aviv	35/25	35/25	35/25	35/25
Tiberias	39/10	39/10	39/10	39/10

INTERNATIONAL CITIES

City	Today High/Low	Wednesday High/Low	Thursday High/Low	Friday High/Low
Ankara	21/10	21/10	21/10	21/10
Amsterdam	17/10	17/10	17/10	17/10
Beijing	29/14	29/14	29/14	29/14
Berlin	20/10	20/10	20/10	20/10
Brussels	17/10	17/10	17/10	17/10
Cairo	36/27	36/27	36/27	36/27
Chicago	27/10	27/10	27/10	27/10
Frankfurt	18/10	18/10	18/10	18/10
Hong Kong	30/25	30/25	30/25	30/25
Johannesburg	24/15	24/15	24/15	24/15
London	17/10	17/10	17/10	17/10
Los Angeles	37/24	37/24	37/24	37/24
Madrid	33/24	33/24	33/24	33/24
Moscow	21/10	21/10	21/10	21/10
Mumbai	31/24	31/24	31/24	31/24
New York	27/10	27/10	27/10	27/10
Paris	20/10	20/10	20/10	20/10
Rio de Janeiro	24/15	24/15	24/15	24/15
Rome	27/10	27/10	27/10	27/10
Sydney	27/10	27/10	27/10	27/10
Tokyo	27/10	27/10	27/10	27/10
Toronto	27/10	27/10	27/10	27/10
Vancouver	27/10	27/10	27/10	27/10
Washington	30/25	30/25	30/25	30/25

NORTH AMERICA WEATHER TODAY

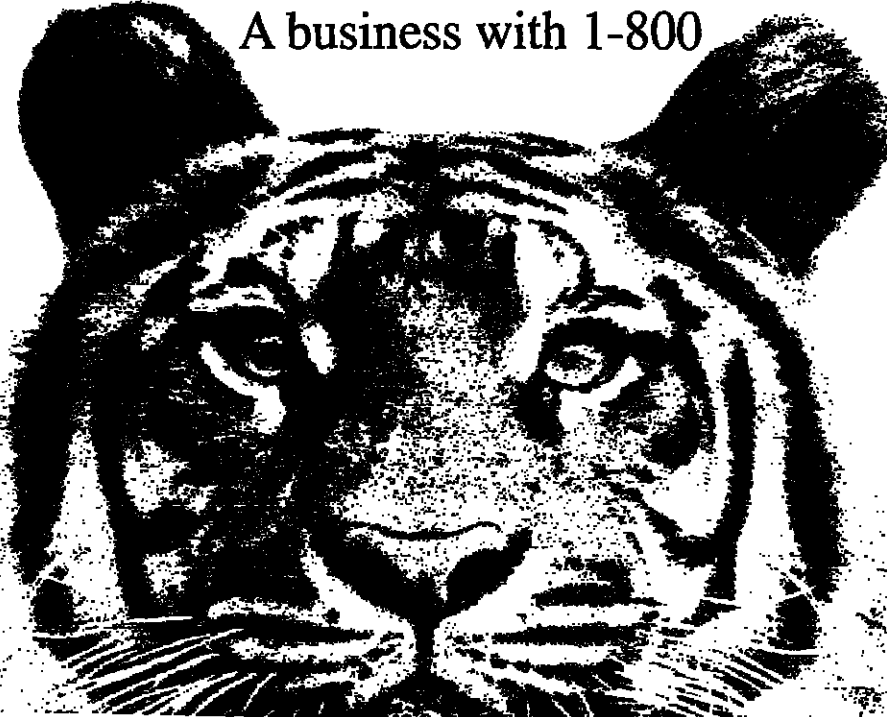


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